Austria	Sch22	Indonesia	Rp3100	Oman	Or1
Bahrain	Din0.750	Iran	Rls210	Philippines	Pso40
Belgium	BFr59	Israel	NS3.80	Portugal	Esc140
Cyprus	C£0.90	Italy	L1700	Qatar	Qr8.50
Denmark	DKr10.00	Jordan	Fils500	S.Arabia	Rls7.00
Egypt	E£3.25	Kuwait	Fils500	Singapore	S$4.10
Finland	Fmk7.00	Lebanon	£250.00	Spain	Pta145
France	FFr7.00	Lux	LFr59	Sweden	SKr10
Germany	DM2.30	Malaysia	Rin4.25	Switz	SFr2.40
Greece	Dr120	Morocco	Dh6.00	Thailand	Bht50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.850
Iceland	Ikr125	Nigeria	Naira10	Turkey	[illegible]
India	Rup15	Norway	Nkr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,915 — Tuesday August 8 1989 — D 8523A

WEST GERMANY
Shift of emphasis on job flexibility
Page 16

World News

Honduras and Nicaragua to disband Contras

Honduras agreed with Nicaragua to the compulsory demobilisation of the US – backed Nicaraguan Contra force which has been based on its territory since it was formed in 1981. Page 16

Bonn accusation
West Germany accused East Germany of restricting travel to Hungary for fear its citizens might defect to the West following Budapest's decision to open the border with Austria. Page 2

Sanctions call
Commonwealth countries were urged to adopt a five-year programme to toughen trade sanctions against South Africa during a foreign ministers meeting in Australia. Page 4

Fatah backs Arafat
Fatah, the mainstream group in the Palestine Liberation Organisation, cleared the way for Yassir Arafat, PLO chairman, to follow through his diplomatic campaign for a Palestinian state alongside Israel. Page 4

Typhoon kills five
At least five people were killed when Typhoon Mac crossed northern Japan, washing away bridges and flooding more than 4,000 houses.

Coup sentencing
Six Sri Lankans have been sentenced to death for taking part in a failed coup last year in the Maldives.

SA banker dies
Gerhard de Kock, governor of the South African central bank, died aged 63. Page 4

Troop move delayed
President Ranasinghe Premadasa of Sri Lanka announced he is postponing until the end of the week a decision on India's proposals for troop withdrawals. Page 4

Solidarity proposals
Lech Walesa called for a coalition government in Poland excluding the Communist Party and grouping his opposition Solidarity movement with two parties currently allied to the communists. Page 2

Lockerbie 'evidence'
The US magazine Newsweek said the CIA and FBI are convinced Iran was behind the bombing of Pan Am flight 103 which exploded over Scotland killing 270 people and added that evidence might soon be made public.

Peking hits Grenada
China announced it had broken off diplomatic relations with Grenada following the tiny Caribbean nation's attempt to establish relations with both Taipei and Peking.

Le Monde mourns
Hubert Beuve-Méry, creator of the French newspaper, Le Monde, died aged 87. Page 2

Matterhorn death
Rescuers recovered the body of an Austrian killed on the Matterhorn and picked up 13 other climbers stranded for more than a day by blizzards.

Revelations.....
Summer thaws revealed a Roman temple hidden under ice for centuries on the summit of the Erciyes mountain in Kayseri, central Turkey.

Business Summary

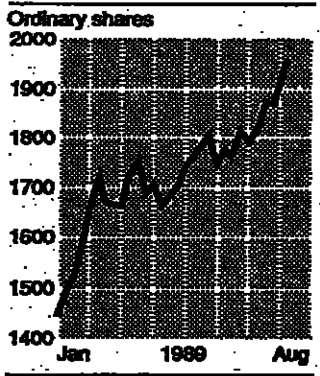
Hanson wins control of Gold Fields in £3.5bn bid

HANSON, UK conglomerate, announced it has won control of Consolidated Gold Fields, mining investment house, in the largest-ever takeover bid to succeed in the UK. The bid values Gold Fields at £3.5bn ($5.42bn).

Hanson said that it controlled 57.3 per cent of Gold Fields shares at the first close on Friday and it has declared the recommended bid wholly unconditional. Page 17

FT Ordinary Share Index: UK stocks turned sharply higher at the close of a thinly-traded session with the international blue chips taking their cue from a firm opening on Wall Street rather than from some mixed signals on the British economy. The FT-SE Index closed 14 points up at 2,341.5, another 1989 peak, while the FT Ordinary Share Index, 16.2 up at 1957, bounced to an all-time high. London Stock Exchange, Page 27

FT Index



VOLKSWAGEN, West German car group, has responded to criticism about its pricing policy while anticipating a possible slowdown in the automobile market by adding more equipment to its European models and holding prices steady. Page 17

REEBOK, US sportswear company which was a Wall Street star in the early 1980's fitness fad, is venturing into the world of water sports by buying Boston Whaler, one of the biggest power boat manufacturers in the US, for $42m. Page 17

EB Corporation, Norwegian subsidiary of Swiss-Swedish Asea Brown Boveri conglomerate, has been awarded two separate contracts worth NKr200m ($28.6m) to supply ground stations for aeronautical satellite services. Page 3

CANADIAN Tire, Toronto-based national chain of car parts, sporting goods and hardware stores, showed a 22 per cent gain in first-half earnings on a 12 per cent increase in revenues. Page 19

SUMITOMO Chemical, one of Japan's largest chemical companies, posted a 44 per cent increase in interim pre-tax profits to Y25.7bn ($185.6m). Page 20

FISKARS, Finland's leading international scissors, knives and garden shears company, acquired Coltellerie Montana, Milan – based scissors and knife company. Page 18

FKI Babcock, British engineering group won a contract to build a HK$1bn ($128m) towngas production plant in Hong Kong for the territory's Hong Kong and China Gas utility. Page 3

BRENT Walker Group completed a £136m ($220m) two-part financing in Japan arranged by Svenska International. Page 21

W.R. GRACE, US chemicals group, has signed an agreement with Paris-based Compagnie Française de l'Afrique Occidentale (CFAO) for the sale of Grace Equipment, which rents and sells equipment primarily to the petrochemical and construction industries. Page 18

Bush tries to cool hostage crisis while talks continue

By Peter Riddell in Washington, Hugh Carnegy in Jerusalem and Victor Mallet in London

THE BUSH Administration yesterday sought to lower the political temperature over the Middle East hostage crisis as bargaining continued over a possible exchange of prisoners held by Israel and by pro-Iranian groups in Lebanon.

Mr Marrack Goulding, the United Nations envoy who is due to meet senior officials in Israel today, echoed the feelings of the Western and Middle Eastern countries concerned when he predicted in Beirut yesterday that there would be a long period of diplomacy.

Probably the only development which could disrupt the delicate negotiations involving the US, Israel, Iran and Syria as well as various Lebanese factions and go-betweens is precipitate action by the Shia Moslem kidnappers holding the 17 Western hostages.

Mr Goulding was sent to gather information about the hostages, especially Lt-Col William Higgins, an American serving with UN forces in Lebanon whose death was announced by kidnappers linked to the Iranian-backed Hizbollah last week.

They said they hanged him when Israel refused to free Sheikh Abdul Karim Obeid, a Hizbollah leader abducted by Israeli commandos in southern Lebanon.

Israel wants to swap Sheikh Obeid and some 300 Lebanese Shia Moslems for three Israeli soldiers and the Western hostages, and at least one pro-Iranian group has made a counter-offer.

The Bush Administration has made practically no public statements over the past three days and yesterday President George Bush made no general comments on the issue, apart from paying tribute to Col Higgins in a speech as "the symbol of the courage" of US servicemen.

Now that the immediate execution threat against Mr Joseph Cicippio, a second US hostage, has been frozen and discussions are under way, the US has begun to develop its negotiating stance.

A senior Administration official closely involved in handling the affair was yesterday quoted as saying the US was "not going to pursue narrow deals and negotiations. We would welcome any hostage being released but our position is to work toward ending the whole episode of the hostages."

Consequently, the official said, the US would try to devalue the hostages in the sense that "the more they appear to be useful, the more it perpetuates the notion that seizing hostages is a valuable thing to do. And it is so easy to pick up a hostage."


UN envoy: Marrack Goulding

There remains strong domestic political pressure to force the matter to a head and, if necessary, to take military action against both the hostage-takers in Lebanon and their sponsors in Iran.

Although President Ali Akbar Hashemi Rafsanjani of Iran has suggested co-operating with Washington and is thought to have applied pressure on Hizbollah to spare the hostages, his hardline Interior Minister, Hojatoleslam Ali Akbar Mohtashemi, has repeatedly challenged him.

"There are numerous Hizbollah cells... which cry for the death of the superpowers," he said in a defiant speech broadcast yesterday.

Mr Mohtashemi helped to set up Hizbollah in Lebanon.

Mr Yitzhak Rabin, the Israeli Defence Minister, said on US television that Israel was not yet involved in negotiations about the hostages.

He said Lebanese groups holding captives should channel their demands for the release of Shia Moslems and Sheik Obeid through the International Committee of the Red Cross.

Israel Radio said the four ministers in charge of handling the issue – Mr Yitzhak Shamir, the Prime Minister, Mr Rabin, Mr Moshe Arens, the Foreign Minister, and Mr Shimon Peres, the Finance Minister – had moved to halt unauthorised comment by officials to avoid being dragged into a round of public demands and counter-demands with Lebanese factions.

An offer to free Mr Cicippio in return for Sheikh Obeid and 450 other Israeli-held Arab prisoners was not treated as a serious offer by the Israeli authorities.

They insist that its three missing servicemen in Lebanon must be part of any deal.

Political barter that defies logic, Page 15

Prime Minister of New Zealand quits

By Terry Hall in Wellington

MR DAVID LANGE, who as Prime Minister led New Zealand through a period of unprecedented economic change over the past five years, unexpectedly resigned yesterday.

His decision followed the vote by Labour MPs last Thursday to re-elect Mr Roger Douglas to the Cabinet. Mr Douglas, the principal architect of the reforms which came to be known internationally as "Rogernomics," was sacked as Minister of Finance by Mr Lange in December for disloyalty, and since then has struggled ceaselessly to depose him.

Members of Parliament were due to vote on a new leader at 10am New Zealand time today (11pm GMT last night). The main candidates are Mr Douglas, whose chances have suffered by his alienation of the party's left wing, Mr Geoffrey Palmer, the Deputy Prime Minister, and Mr Mike Moore, the Minister of Trade.

Mr Lange, 47, says he intends to remain as an MP but will not accept a Cabinet post.

Mr Lange started as Prime Minister with a ferocious energy, backing reforms to put New Zealand on the international stage. He infuriated the US by declaring the country a nuclear-free zone and banning US nuclear ships from the area. He also harried France over nuclear testing in the Pacific. Diplomatic relations with France were severely strained in 1985 after the French secret service blew up the Greenpeace ship Rainbow Warrior while it was in Wellington harbour.

The free-market economic reforms he supported became

Continued on Page 16
Departure greeted with despair and delight, Page 4


David Lange: decision followed return of Roger Douglas

Governor of China's central bank warns of austerity

By Peter Ellingsen in Peking

CHINA'S financial situation is one of "chaos" and a tough austerity programme must be enforced if serious economic problems are to be solved, Li Guixian, governor of the central bank, the People's Bank of China, warned in a speech published yesterday.

The country has a bloated money supply, a serious inflation problem and a growing foreign debt that has been complicated by the suspension of concessions and loan packages by the World Bank, Japan, the European Community and the US in the wake of the June 4 massacre of pro-democracy protestors in Peking.

The inflation rate in the first half of this year was officially estimated at 25.5 per cent, up from 18 per cent last year.

Li told a conference of bankers that the country has to "ride out" the the extra economic difficulties.

He added: "The base of saving is not sensible and there has been serious misallocation of funds. There is still chaos in the financial order, with money sunk without trace."

Zhao Ziyang, the purged Communist Party chief and the architect of economic reform, has been blamed for the problems, as well as for alleged political crimes.

In the first half, sales figures for 24 of the 28 most popular consumer items fell, while bank loans issued in the first half showed a 50 per cent drop compared to the same period last year.

However, the official figures do not tell the whole story, and money supply has run out of control.

The economic problems have put added pressure on a Government caught up in the biggest political crisis in a decade. Although official propaganda continues to concentrate on the ideological rectification prescribed after the "counter-revolution," observers believe leaders will soon be forced to refocus their attention on the economy.

The banking conference canvassed reorganisation plans that would encourage state enterprises to honour their huge outstanding debts. Li said a credit squeeze would be enforced to ease inflation and he warned that the policy would "cause further difficulties" for industry, trade and agriculture.

Cultural minister removed: Page 16

United Airlines board to consider $4bn offer

By James Buchan in New York

STOCK in UAL, the holding company for United Airlines, rose more than 20 per cent in fevered trading yesterday after an offer for the $4bn company from Mr Marvin Davis, a Beverly Hills businessman.

The offer set off a frenzy of speculation on Wall Street although little is known about it. Traders and arbitrageurs said that the Davis offer had set events in train which would probably lead to the sale of North America's second-largest airline.

Stock in UAL, which is based in Chicago, rose $34\frac{3}{4}$ to $199\frac{1}{2}$ in response to an announcement of the Davis approach. UAL said that its board would meet tomorrow to discuss the "highly conditional" offer.

Mr Stephen Wolf, UAL's chairman, said the board had not yet decided whether the company would be sold, but it "will give careful consideration to Mr Davis's proposal."

The offer is thought to be more than $200 a share, which would value the airline and its domestic and Far Eastern operations at some $4.32bn.

Mr Davis, 63, a sometime oil wildcatter and Hollywood mogul, has already tried to buy one major airline this year. In March he offered $2.7bn for NWA, the parent of Northwest Airlines, and triggered a furious auction for the company until it was finally sold for $3.65bn.

The heady sale price for Northwest has convinced many people on Wall Street that recent consolidation in the airline industry has reduced competition and sharply increased the value of surviving carriers. The stocks of AMR, parent of American Airlines, USAir and Delta all rose sharply yesterday morning.

United itself is enjoying a strong improvement in its business as cut-throat competition at its main hubs at Denver, Chicago, Washington and San Francisco has eased. Thanks to higher fares at home and a highly lucrative Far Eastern service, United reported a 35 per cent surge in its net operating profits to $206.5m in the first six months of this year, on a gain of 11 per cent in revenues to $4.8bn.

But one arbitrageur warned that the fate of United might not mirror that of Northwest. Mr Wolf may decide against sale of the airline and receive the support of his board.

Wall Street, Section II

Lloyds criticised over handling of Abbey share distribution

By David Barchard in London

LLOYDS Bank Registrar came under fire yesterday from Britain's direct mailing industry for choosing an unrecognized house to handle the distribution of Abbey National share certificates last month.

Some 300,000 share certificates and accompanying refund cheques which should have been posted on July 11 on the eve of Abbey National's flotation - the biggest of its kind in the UK - are still missing.

"I am amazed that Lloyds Registrar chose to entrust such work to Business Mailing Services which is not a member of our Association," said Mr Mark Elwes, chairman of the Direct Mail Producers Association, the industry trade association.

The head of another direct mail body, Mr Michael Goodridge of the Direct Mail Standards Board, said: "Business Mailing Services are not recognized by this Board and never have been. They are not recognized in the industry."

Lloyds has received more than 265,000 claims for missing certificates from Abbey National share holders.

Lloyds is also examining what it can do to compensate investors who may have lost considerable amounts of money because they did not receive their share certificates and refund cheques.

"We know that we have made several mistakes," a Lloyds spokesman said. "Some of them are computer mistakes, but they still count. We have got to recompense people for that."

He said that it was impossible to know what the total cost of compensation could be until after Lloyds' Registrar had received claims from all the Abbey National shareholders affected by the delay.

The Lloyds spokesman said that the Registrar had employed Business Mailing Services in other stock market flotations and been "reasonably happy" with the services offered by the firm on previous occasions.

He declined to comment on suggestions that Lloyds might have selected Business Mailing Services because it undercut many of the others on the market.

Abbey National has already offered to pay interest on unreturned investors' funds which were put up for the flotation but exceeded the maximum allocation of 775 shares at £1.30 ($2.10) each.

On July 30, police were called in to investigate fires in two skips at Business Mailing Services premises in south London after a tip–off claiming that Abbey National share certificates were being burned. They are believed to have recovered the remains of nearly 200,000 certificates.

Mr Alex Scott, 40, owner of the company, was subsequently interviewed by police, but was not detained. Last night Mr Scott was not available for comment.

Police enquiries into the reasons for the burning of the Abbey National share certifi-

Continued on Page 16

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MARKETS

STERLING
New York lunchtime:
$1.6045
London:
$1.6075 (1.615)
DM3.0625 (3.065)
FFr10.36 (10.3775)
SFr2.6325 (2.6425)
Y224.25 (225.25)
£ Index 91.6 (91.9)

GOLD
New York: Comex Dec
$(375.4)
London:
$(371)

N SEA OIL (Argus)
Brent 15-day Aug
$(16.875)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.9095
FFr6.46
SFr1.6415
Y139.7
London:
DM1.9055 (1.897)
FFr6.4450 (6.425)
SFr1.6380 (1.6355)
Y139.5 (139.4)
$ Index 70.1 (69.8)
Tokyo close: Y139.78

US LUNCHTIME RATES
Fed Funds 8$\frac{15}{16}$%
3-mo Treasury Bills: yield: 8.19%
Long Bond: 108$\frac{11}{32}$
yield: 8.1%

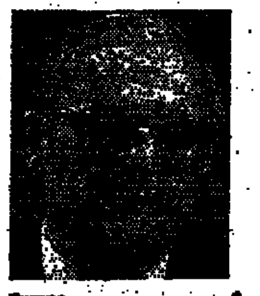
STOCK INDICES
FT-SE 100:
2,341.5 (+14)
FT Ordinary:
1957 (+16.2)
FT-A All Share:
1,191.07 (+0.5%)
FT-A long gilt yield
Index high coupon:
9.38 (9.41)
New York lunchtime:
DJ Ind. Av.
2,263.32 (+9.87)
Tokyo: Nikkei
34,630.38 (−111.61)

LONDON MONEY
3-month interbank:
closing 13$\frac{13}{32}$% (13$\frac{13}{32}$)

SELLING PRICE IN IRELAND 60p, IN MALTA 40c

CONTENTS

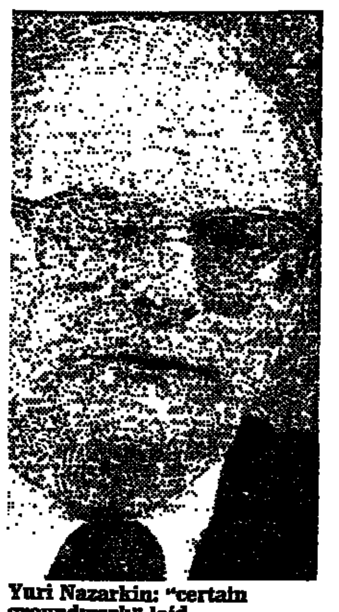
Start talks seen as needing a strong political push



Yuri Nazarkin (left), Soviet negotiator at the strategic arms reduction talks (Start), says that groundwork has been laid on some outstanding issues. But it is felt the talks are in need of fresh political impetus. Page 2

Start talks await a political push to make further progress

By William Dullforce in Geneva



Yuri Nazarkin: "certain groundwork" laid

MR JAMES BAKER, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, can give fresh impetus to talks aimed at reducing their strategic nuclear arsenals, when they meet next month, according to their chief negotiators in Geneva.

Mr Yuri Nazarkin of the Soviet Union said yesterday that "extremely important issues relating to the (strategic arms reduction) talks (Start)" would have a top place on the ministers' agenda. Mr Richard Burt, his US counterpart, said President George Bush's proposal for early implementation of the verification measures needed in a treaty would figure prominently at the meeting.

The two negotiators were speaking at news conferences marking the completion yesterday of the 11th round of US-Soviet negotiations on nuclear and space arms. Mr Baker and Mr Shevardnadze are due to meet in the US on September 19 and 20. The talks in Geneva will resume on September 25.

To judge by the negotiators' remarks yesterday, the talks aimed at halving their strategic nuclear arsenals are poised at the point where a political push is required. This in turn will depend on assessments of priorities in the two capitals; Washington, for instance, is understand to be looking for progress first in the conventional forces in Europe (CFE) talks in Vienna.

In the Geneva talks the two sides had clarified their positions after the Bush Administration's review of its defence policy and "certain groundwork" had been laid on some important outstanding issues, Mr Nazarkin said. But he regretted that no solutions had been found to these issues.

He listed the US desire to develop and deploy anti-ballistic missiles in space; the problem of setting a verifiable ceiling to long-range sea-launched cruise missiles; the counting rules for air-launched cruise missiles on bombers; and the question of mobile intercontinental ballistic missiles (ICBMs), where the Soviet Union already has two systems and the Bush Administration is discussing with Congress funding for two US systems.

Mr Burt concurred that no big breakthroughs had occurred, but he added: "We are steady on course toward achieving stabilising reductions" which would reduce the risk of nuclear war in the 1990s. He agreed that the US position on mobile ICBMs could change, once a decision had been taken on the two US systems.

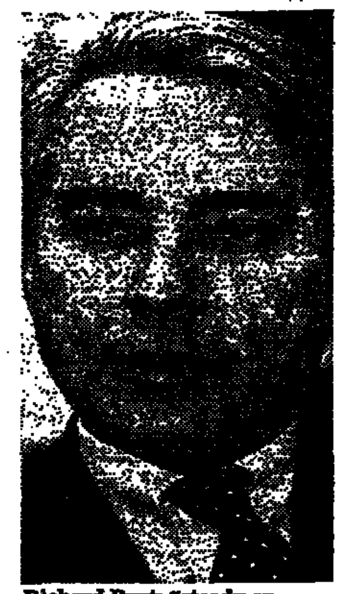
The US Administration had more than accomplished its goals for the eleventh round, Mr Burt said. These were to clarify positions and to "reaffirm the central structure" of the draft treaty, which now extended to some 450 pages. Washington hopes that at the Baker-Shevardnadze meeting the Soviet side will agree to work on Mr Bush's early verification package. In Geneva they had not "given a formal green light" to start discussions, Mr Burt said, but Soviet officials in Moscow had "all but said they would agree." The seven-point package calls for:

- advance notification of strategic exercises;
- agreement not to develop submarine-launched ballistic missiles with short flight times;
- agreement "now" to ban certain methods of encoding data on missile tests;
- immediate exchange of data on strategic forces
- advance demonstration of inspection techniques dealing with the number of warheads a missile is allowed to carry;
- technical demonstration of "tagging", a method for identifying missiles during short-notice inspections;
- monitoring of some ICBM production plants.

Neither Washington nor Moscow has changed its attitude towards the 20-page draft text on space defences over the past seven weeks of talks. Mr Henry Cooper said the US would agree to Moscow's demand for a commitment not to withdraw from the 1972 anti-ballistic missile (ABM) treaty for a specified period of time, if the Soviet Union met three US conditions.

These were acknowledgement of each side's right to deploy effective space defences after the non-withdrawal period; retention of the standard withdrawal and termination rights in the ABM treaty; and clarification of rights to research, develop and test defences.

- Mr Burt said that the question raised by the Soviet Union of US support for the modernisation of Britain's nuclear forces was "still on the table". But, he added, the US would not allow any US-Soviet bilateral treaty to interfere with its alliance commitments.



Richard Burt: "steady on course"

Founder of Le Monde newspaper dies at 87

By George Graham in Paris

MR HUBERT BEUVE-MERY, creator of the French afternoon newspaper Le Monde, died on Sunday evening at the age of 87.

He founded the newspaper in 1944, just after the liberation of France, and remained its editor and foreign affairs commentator, under the name of Sirius, for 25 years, building it into the epitome of French journalism, both for foreigners and for the French themselves.

In his goals for Le Monde, Mr Beuve-Méry was profoundly influenced by the corruption and intellectual dishonesty of France's main pre-War newspapers; he was correspondent for most of them in turn in Czechoslovakia in the 1930s, resigning from each in disgust and finishing with a blazing departure from Le Temps in protest at its acceptance of the rise of Nazism.

After spending much of the war in the French resistance, Mr Beuve-Méry was invited by General Charles de Gaulle in 1944 to set up a new newspaper of reference, to take the place of Le Temps, which had not been authorised to reopen after the liberation.

Since then, there have been moments when Le Monde has seemed to its critics to be too close to the Government, but most of the time it has maintained a sceptical independence that belies these official origins and that has helped place it among the world's great newspapers.

"Before the War I had been profoundly shocked by the sort of journalism we had to practice. Then, at the liberation, a newspaper fell into our arms. I agreed to edit it, after saying no a hundred times. Today I would like to know if I won my bet against rottenness," Mr Beuve-Méry was to say years later.

In 1951, a row over his "neutralist" views on the North Atlantic alliance almost led to his departure. But a revolt by his journalists led him to stay at the newspaper, where he developed a distinctive tone, critical of France's colonial wars in Indochina and Algeria as he was of the Parliament of France's Fourth Republic or of the rearmament of West Germany.

"I wanted *Le Monde* to be a newspaper of reference which kept its distance and its rigour in relation to everything that happened, with the obligation to say what we thought, even if it was not what our readers expected," he said.

Mr André Fontaine, the newspaper's current editor, described his predecessor as a source of a wise counsel during the difficult period in 1985 when financial problems cast a shadow over Le Monde's future.

Bonn to sell part of West Germany's uranium stockpile

By David Goodhart in Bonn

THE West German Government has decided to sell off part of its uranium stockpile in the light of the scaling down of the country's nuclear programme.

The sale is only expected to net DM50m (£16m) this year and the same amount next year but may help to further depress an already weak world market in uranium.

The news of the sale, leaked to the magazine Nucleonics Week, has been confirmed by the Federal Research Ministry which officially owns the stockpile and whose budgetary squeeze is another motive for the sale.

The stockpile was acquired from the US during the early 1970s at the height of optimism about nuclear power. According to one official the Government now wants to sell as much as it can. The value of the total stockpile is put at DM380m slightly more than half what was paid for it.

The US Department of Energy has given permission for the initial sale and may even buy the material itself. However, one US utility – Pacific Gas & Electric Company – and three West German companies have also put in bids.

One of the West German companies is Nukem, the parent company of Transnuklear the transport concern at the centre of a scandal involving allegedly illegal shipments of nuclear material in 1987.

The Government's uranium is currently stored in the federal bunker in Hanau on Nukem premises and may be difficult to move following some corrosion.

Bonn agrees to exchange of artefacts with Berlin

EAST and West Germany plan to swap thousands of priceless manuscripts and prints, some dating back to medieval days, the Ministry for Inter-German Affairs said yesterday, Reuters reports from Bonn.

It announced the completion of talks with East Germany on the exchange of art and historical documents scattered throughout the former German Reich during the Second World War.

East Germany would return more than 2,000 historical items to the library in Hamburg alone, the ministry said, and more would go to Bremen and other West German cities

Manuscripts by theologian Martin Luther, philosopher Immanuel Kant and other giants in German history would be shipped from the West to their places of origin in East Germany, the ministry added.

It praised the agreement, to be signed in East Berlin on Tuesday, as evidence of the success of cultural ties between the two Germanys, easing a burden that has strained inter-German relations since the war.

To avoid destruction in the Allied bombings of the western and northern parts of Adolf Hitler's Germany, many libraries and museums were emptied of valuables which were sent to the south and east for safe storage.

In the post-war division of Germany, thousands of these objects ended up on the wrong side of the border. The Cold War in the 1950s froze attempts to swap them and talks on their return did not start in earnest until the 1980s.

Hungary pulls back iron curtain

East Germans are flowing West via Budapest, writes Judy Dempsey

THE border between Austria and Hungary has become so relaxed that more than 80 East Germans are crossing illegally to the West every day. They head for the West German embassy in Vienna and then fly on to the Federal Republic.

The remarkable relationship between Vienna and Budapest is now threatening to exacerbate the already-strained relations between Budapest and East Berlin.

The Hungarian authorities are so keen not to anger their comrades in the Democratic Republic they now return East Germans who fail to make it across the border into Austria.

This steady flow of East Germans, many of whom are desperate to find a way round the Berlin Wall, started last May when the Hungarian authorities decided to dismantle the 260km alarm system and double-barbed wire fence with Austria.

The initial cut in the fence was made amid a wave of international publicity and praise for Hungary's increasingly westward foreign policy.

The removal of the fence followed Hungary's decision a year earlier to allow its citizens the right to a passport and unlimited travel, provided they had the hard currency to support themselves.

The policy has encouraged thousands of Hungarians to cross into Austria, a country which does not require any visas from their eastern neighbour. But even while the barbed wire was being taken down, the Foreign Ministry in Vienna had certain misgivings about the whole exercise.

"We have not got the manpower to guard the borders. And if, as a result of this relaxed border, we have even more refugees coming from Czechoslovakia or Romania, our resources will be stretched to full capacity," a senior ministry official explained.

These fears have not yet been confirmed, largely because those East Germans crossing to Austria are immediately processed by the West German embassy in Vienna and quickly sent to West Germany.

In East Berlin, however, there are growing fears that as the exodus continues, the East German authorities will try to tighten travel restrictions once the summer holidays are over. But those who have already tried unsuccessfully to get into Austria will be the ones to bear the brunt of this new policy.

This is partly due to the measures undertaken by the Hungarian authorities towards the would-be East German migrants.

Under present conditions, East Germans need neither an invitation or exit visa to visit Hungary. They do, however, require permission to travel from their employers.

In the past, many used Hungary as a route to Bulgaria's Black Sea. However, the chink in the iron curtain has proved too much of a temptation for many to resist.

Since last May, at least 600 East Germans have crossed the border for good, and that is reckoned to be a conservative estimate. Some reports the figure at up to 200 in the last week alone.

Those caught have suffered a fate they had not expected. First, the Hungarian authorities stamp their identity papers, stating that the person tried to cross.

The authorities have also warned that the person will not be allowed return to Hungary for a specific length of time. In effect, they will find it difficult to travel again.

Those who are determined to try again, and are caught, could also be liable to criminal prosecution or imprisonment.

These measures have not gone unnoticed by the Alliance of Free Democrats, one of the independent Hungarian opposition groups, and the Refugee Committee in Budapest, which criticised the special stamp endorsed by the Hungarians on East Germans' papers.

They also argued that since Hungary has already signed the Geneva Convention on refugees – the only East European country to do so – then those trying to escape from East Germany should be granted refugee status.

The result of the criticism has led to a serious debate among the authorities in Budapest. If the Hungarians do grant refugee status to East Germans, which depends on proof from the applicants that they will be persecuted if they are forced to return home, then a major shift in bilateral relations will have taken place between two Warsaw Pact countries.

But as the Hungarian authorities ponder the cost of its open border policy with the West, an illegal market has already developed in Budapest.

According to Colonel Istvan Nemeth, a senior Hungarian border guard, teams of (Hungarian) smugglers are now demanding "several thousands schillings for the organisation of the illegal border crossing."

There are even reports that Hungarians are prepared to take part in expensive marriages of convenience with East Germans and Romanians. Such politically motivated "weddings" are just one more price of Hungary's open-door policy, and one likely to upset the East German authorities even further.

WEST Germany yesterday accused East Germany of restricting travel to Hungary by its citizens for fear they might defect to the West, Reuters reports from Bonn.

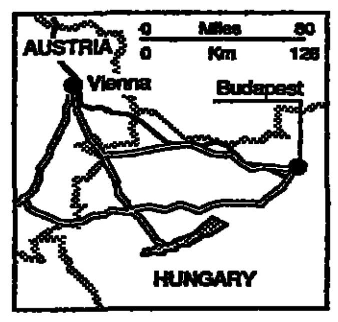
Hungary opened its border with Austria in May, creating opportunities for East Germans to get to the West via Hungary.

"It is no longer so terribly easy for an East German to travel to Hungary," said Mr Ottfried Hennig, Under-secretary of State in the Ministry of Inter-German Affairs.

"The currency rules are one way of interfering," he said. East Germans can buy the equivalent of only $44 in Hungarian forints each year.

Western diplomats said individuals might be stopped from going to Hungary on administrative grounds.

In an apparent attempt to dissuade people from leaving the East, the East German press has mounted an assault on social problems in West Germany.



Walesa sees no place for the party

MR LECH WALESA called yesterday for a coalition government in Poland excluding the Communist party and grouping his opposition Solidarity movement with two political parties currently allied to the Communists, Reuter reports.

"The only political solution in the present situation is the creation of a Council of Ministers based on a coalition of Solidarity, the United Peasants' party and the Democratic party," the Solidarity leader said in a statement.

The Prime Minister, Gen Czeslaw Kiszczak, appointed on August 2, is trying to create a "grand coalition" government between the Communists and Solidarity, but the opposition has rejected the proposal.

Mr Walesa, who released his statement in Gdansk, said Gen Kiszczak's appointment proved the Communist party was determined to retain its monopoly on power.

"This has exacerbated the crisis of confidence and has reaffirmed society's fears that essentially nothing has changed and that hope for the future is non-existent," he said.

"In view of all this, I once again categorically oppose the formation of a new government by Gen Czeslaw Kiszczak," Mr Walesa added.

An aide to Mr Walesa said the opposition had already conducted exploratory talks with the United Peasants' party on the subject of forming a coalition government.

Earlier, Mr Bronislaw Geremek, Solidarity's parliamentary leader, said he had rejected an offer from Gen Kiszczak of several ministerial posts for the opposition when they met on Saturday.

"I presented our well-known position, that we are ready to form a government but are not planning to enter a government formed by the Communist party," Mr Geremek told the Solidarity newspaper, Gazeta Wyborcza.

Meanwhile, telecommunications workers went on strike yesterday in the western city of Poznan. In Gdansk, Solidarity activists were trying to secure pay rises from managements in several industries.

Economic plans vie in Copenhagen

By Hilary Barnes

NEGOTIATIONS over rival economic reform plans for Denmark began yesterday between the minority coalition Government and the opposition Social Democratic party.

If the talks fail to yield an acceptable compromise, Mr Poul Schlüter, the Prime Minister has said he will consider calling an election.

The Government has called its plan the most radical of the century. It aims to reduce the top rate of marginal income tax from 68 per cent to 52, to cut the corporate income tax rate from 50 per cent to 35, and to reduce purchase taxes on consumer goods in order to minimise the border trade problem with West Germany.

But the tax reductions will be fully financed by broadening the tax base, introducing more user-charges for local government services and making the labour market partners pay a higher share of the unemployment benefit system.

The Social Democrats want to put more zest into the economy by introducing an obligatory pension-saving scheme, the proceeds of which would be channelled into industrial investment by trade union-controlled pension funds.

While the Government wants to see the tax burden cut from 52 to 42 per cent over the next decade, the Social Democrats wish to maintain tax and public spending rates roughly at current levels.

Commission's regional share-out leaves no recipient happy

By Hazel Duffy

THE European Commission has approved plans to inject Ecu36bn (£24bn) into poorer Community regions between now and end-1992. Each of the seven countries to benefit from Brussels support have said they are unhappy with the outcome. Brussels' view is that dissatisfaction was inevitable.

Ireland topped the league in terms of support per head, although this did not stop fraught meetings last week between Commission officials and Irish ministers. The other main beneficiaries are Greece, Portugal, and Spain. France gets support for Corsica and overseas departments, Italy for the Mezzogiorno, and the UK for Northern Ireland.

Governments agreed in 1987 that so-called structural funds targeted at the poorer regions should double by 1993. There are also funds to support training, and help rural areas adjust to Common Agricultural Policy changes.

The aim was to enable the regions, many of them in remoter areas, to adjust to the impact of the single European market in 1992.

"The gap between richer and poorer regions of the Community has been widening," Mr Bruce Millan, Commissioner for regional policy, said recently. "We want to stop the gap widening. We hope to narrow it. But it is a long-term process. It must go beyond 1992. The Commission must spend more to achieve economic and social cohesion."

The funds are particularly important for the newest entrants to the Community – Spain and Portugal. These two are also bringing pressure on other governments to give more weight to the regional issue in other EC policies. They want to see regional considerations introduced in proposals for a European mergers policy, for instance. That might not be feasible. But Mr Millan thinks the Commission could do more to angle its various programmes towards the regions.

He cited the science and technology programmes. "A lot of money is directed towards 'centres of excellence', very properly. But since the more prosperous areas have more such centres, the distribution of these funds is supporting inequality. The centres of excellence policy has to be balanced with the needs of all areas of the Community."

Governments often did not consider research and development as a means of stimulating regional development when submitting their plans to the Commission. They were asked to include it, although it was not going to be as big a feature as proponents of the regional fund would have liked.

Mr Millan will be getting the STRIDE scheme off the ground later this year – a Commission programme designed to promote research and development in the regions, which had been set up but not implemented. Central government plans still tend to concentrate on infrastructure. The Commission wants to concentrate its resources on fewer projects, which have job creation as a prime target.

Sums involved in plans submitted to Brussels from the poorer regions totalled about Ecu60bn. These were scaled down to Ecu36bn. A little over Ecu2bn had been reserved by the Commission for special projects, such as helping areas hit by shipbuilding closures.

Discussions with governments start again early in autumn on the Brussels sums that will go to former heavily industrialised areas in France, the UK, West Germany, Spain and Italy – the so-called Objective 2 areas in the new regulations for the regional development fund. Together with certain rural areas, they will be competing for a share of Ecu22bn.

The Commission wants regional and local authorities involved in all the discussions, and in implementing the schemes. But Mr Millan scotched any idea that encouraging dialogue between Brussels and the regions might mean central government could be by-passed.

The big problem for Brussels with some governments – particularly the UK – has been "additionality". The Commission does not want its funds to be substituted for spending which would have been carried out by the governments in any case.

Mr Millan said that "governments gave a firm commitment", which would be written into the framework of agreement to be signed between governments and the Commission. He would "challenge" those governments not honouring the commitment.

Yugoslav protest

ABOUT 300 hundred mainly Albanian construction workers yesterday marched through the capital of Yugoslavia's Kosovo province to protest low wages, AP reports from Belgrade.

The strikers paraded through the centre of Pristina, 275km south of Belgrade, after they broke a police line at a construction site.

EC Commission puts up roadblock on Danish bridge plan

By Hilary Barnes in Copenhagen

IS THE European Commission being harsh on Denmark, or does the Copenhagen Government only have itself to blame?

That is the question Danes are asking themselves as they observe the exemplary sternness with which the Brussels executive has reacted to the protectionist terms on which Denmark invited bids for the vast Great Belt West Bridge.

The Commission is breaking new legal ground by seeking an injunction from the European Court ordering Copenhagen to suspend the DKr3.1bn (£256m) contract – which was awarded on June 26 – and reopen tender negotiations.

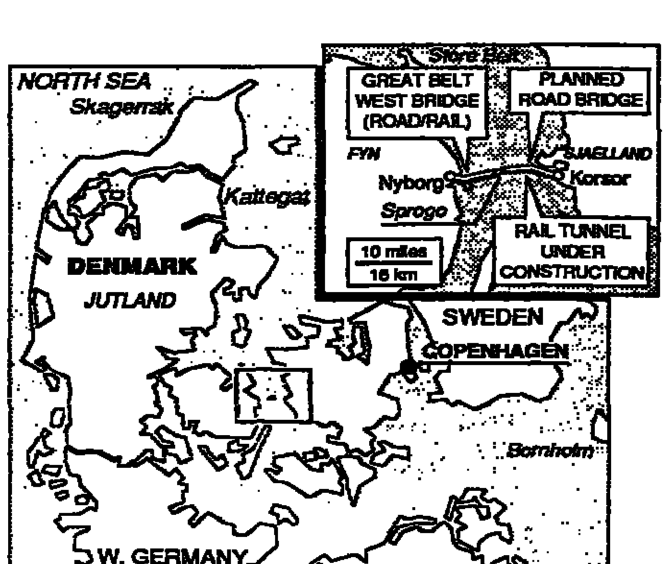
The Danish authorities profess surprise and hurt over the Commission's tough line. They admit that the tender specified Danish labour for the road-and-rail bridge and named the Danish suppliers which must be used for the supply of steel, cement and coarse filling; and that these requirements violated the Treaty of Rome.

But the case is confused by the fact that the word "Danish" was deleted from the contract hours before it was signed – with a consortium called the European Storebaelt Group, consisting of Ballast Nedam of the Netherlands, Losinger of Switzerland, Taylor Woodrow of the UK and three Danish companies.

Relations between Copenhagen and the Commission soured when the Denmark rejected Brussels' request that it postpone signing the contract for seven days while the EC examined complaints against the tender.

Once the contract was signed, the Danish Government argued that because the deal had been made and work had commenced, it would be far too expensive to suspend construction work while legal niceties were sorted out.

Mr Poul Schlüter, the Prime Minister, then declared on local television that no matter what happened, the bridge would be built according to the the June contract.



One of the most ambitious projects ever undertaken by the Danes. A rail tunnel, a road-and-rail bridge and a road bridge which will link Sjaelland to the Continent.

The fixed link across the Great Belt – linking the island of Sjaelland to the Jutland peninsula and thus to the Continent – is one the most ambitious contruction projects ever launched by the Danes and one of the biggest public works currently in progress in Europe.

The project has three main parts: a rail tunnel, already under construction, under the east side of the Belt; a road-and-rail bridge over the west side, which is the object of the current controversy; and a road bridge, for which prequalification tenders have just been invited, across the east side. The total cost of the link will be about DKr18bn.

The whistle was blown on the tendering procedures by France's Bouygues group, an unsuccessful bidder which complained of unfair, discriminatory treatment.

Bouygues' basic complaint, according to its Danish lawyer, Mr Claus Kaare Pedersen of the firm of Bornstein and Groenborg, is that the winning consortium was allowed to make reservations on two of the conditions laid down in the tender terms.

While the Commission shares Bouygues' doubts about the tender procedures, its main objection is to the "Buy Danish" clauses, which it holds to have been in breach of no less than three clauses in the EC's founding treaty.

Copenhagen has conceded that the "Buy Danish" requirement was a "mistake" – which it considers too late to rectify – but it maintains that the Commission's other objections are based on misunderstandings.

The Court's decision, expected within a matter of weeks, will have wide-ranging implications not just for the construction of bridges, but also for the construction of an integrated European Community.

It's attention to detail

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© The Financial Times Ltd, 1989.
FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd. Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

WORLD TRADE NEWS

Common market on the banks of the Danube

Judy Dempsey observes a flourishing unofficial trade in goods and currencies in a Viennese suburb

NOBODY admits it but everybody is doing it. Along the banks of the Danube business is flourishing for traders from Soviet Georgia, Poland, Hungary, Czechoslovakia, Yugoslavia and Austria itself. Few speak the same language but they all manage to make themselves understood. The black market, and the vocabulary of cash transactions, is their common language.

Over the past few years, the Viennese suburb around Mexikoplatz, a short walk from the main harbour where Soviet and East European ships dock, has become a centre for black market trade.

Business was so brisk in the past year that the Austrian tax authorities and the tobacco industry lost more than Sch1bn (£47m) in revenue.

The Finanzamt, equivalent to Britain's Inland Revenue, reckons it lost Sch700m last year. Austria Tabakwerke, which holds the monopoly on importing and selling cigarettes, says it is losing Sch140m a year. The loss in the little tobacco kiosks scattered throughout the country is thought to be Sch150m.

But while the tax authorities are aware of the growing black market, there has been little success in stemming the business or locating the roots.

Mr Gunther Schoen, a senior official at the Bundeswirtschaftskammer, the association for Austrian traders, says one of the problems is that "there are too few *beamte* (officials) to monitor Mexikoplatz".

Although no shopkeeper will openly admit it, part of the black trade takes place behind the counter. A few of the shops belong to old Viennese families. Some belong to the Sudeten Germans who were expelled from Czechoslovakia after the Second World War. Others belong to Georgian Jewish families who stopped off in Vienna en route to Israel.

It is not surprising that none of them cares to talk openly about the black trade in cigarettes, which at times sell for a third of the kiosk price. But they do admit many of the top quality brands of cigarettes come from Hungary, Poland and even Switzerland.

They say the Austro-Hungarian border is so relaxed that border guards cannot thoroughly check the thousands of cars which pass through each day, which allows East Europeans to "import" goods destined for the black market.

For example, Western cigarettes bought in special hard currency shops in Poland cost far less than they do in the West. Stocked with these brands, East Europeans flock across the border.

> Once in Austria, and desperate for hard currency, the traders head quickly for Mexikoplatz. Even if they have no goods to sell, they soon start buying and selling money on the black market

Once in Austria, and desperate for hard currency, the traders head quickly for Mexikoplatz. Even if they have no goods to sell, they soon start buying and selling money on the black market.

Recently an elderly, snappily-dressed Pole walked in and slapped down 30,000 Hungarian forints (officially about $508) on the counter. Without much bargaining, the shopkeeper handed over Sch5,100 (about $392). Not a bad transaction: the official rate is 59 forints to the dollar. The black market rate can fetch 75 forints. The rouble is worth even more. One trader was offering 13 roubles to the dollar. On official exchanges, the rouble is worth 65 cents.

The traders say they rarely deal with the banks, who have no qualms about selling all the East European currencies at black-market rates.

"All sorts drift in here: respectable Austrians, Bulgarian sailors, Polish truckers and Hungarian taxi-drivers looking for these currencies. If I have not got any, I just make a phone call," one trader said. The phone call is usually made to other family members running a network of shops.

On the Mexikoplatz, another market flourishes, despite the warning posters in German, Hungarian, Serbian and Polish, issued by Viennese authorities, which warn of dire consequences for those caught dealing in the black market.

Ignoring the posters, ubiquitous Poles sell the goods they have just bought, mostly to other Poles. The mark-up price is not high. All the Poles want is a little extra hard currency so that they can trade on the black market on their way home.

But as trade thrives down at the docks, the Viennese authorities are hard pressed to contain it. Austrians dabbling at the Mexikoplatz say that if prices in their own country were lower, there would be no need to resort to buying cigarettes on the black market and searching for shops selling cut-price coffee, vodka and music equipment.

Even if the authorities were to clamp down by prosecuting or increasing surveillance, the dealers would simply go further underground – a familiar pastime during the post-war occupation of Austria: as immortalised in the cinema classic The Third Man.

US sale to subsidiary of Matra under investigation

By Nancy Dunne in Washington

A BUSH Administration inter-agency committee is investigating a proposed sale of the space and defence divisions of Fairchild Industries to the US subsidiary of Matra to ensure that American technology will not be improperly diverted to France and other countries.

The investigation is unlikely to prevent the sale, but under the Exon-Florio provision of last year's trade law, an inter-agency committee – called the Committee on Foreign Investment in the US – is required to review such sales for their national security implications.

The provision gives the President the authority to block foreign takeovers of US companies if they are found to be a threat to national security.

A Commerce Department official said approval has been delayed while Matra develops a management plan under which a proxy arrangement would put the two divisions under the control of US citizens.

The inter-agency committee is composed of representatives from the Commerce Department, Pentagon and Treasury. Once it is notified of a proposed investment, it has 30 days to launch an investigation, which can take up to 45 days.

Norway in US space deal

NORWAY'S EB Corporation, asubsidiary of the Swiss-Swedish Asea Brown Boveri conglomerate, has been awarded two contracts totalling NKr200m to supply ground stations and equipment for aeronautical satellite services, Karin Fossli reports from Oslo.

One, awarded by the US-based COMSAT, calls for two ground stations equipped with access signal and control equipment, and computers.

Another contract, awarded by Telecommunications Carriers, calls for supply and installation of six ground stations and equipment in four locations worldwide.

Turkish gas terminal deal worth $217.8m signed

By Jim Bodgener in Ankara

A CONTRACT valued at $217.8m (£136.1m) for the construction of a gas import terminal was signed yesterday as expected by a French-led consortium and the Turkish state pipeline agency Botas.

The terminal will import and process Algerian liquefied natural gas at peak periods to supplement imports of Soviet natural gas

The consortium, led by France's S N Technigaz, includes the US' PDM and Turkish firms Sezai Turkes-Feyzi Akkaya (ST-FA) and Bimas.

The terminal, with tankage, will be built at Ereglisi on the Sea of Marmara, from where a pipeline will feed the gas to Istanbul and into the main Soviet gas import pipeline, completed in 1987 and which runs from the Bulgarian border to Ankara.

The work will be supported by a $70m (£43.75m) soft loan from the French government. An agreement for the supply of 40,000 million cubic metres of gas over 20 years was reached with Algeria early last year.

Meanwhile, in a related development, Botas has invited engineering bids for three important spur pipelines from the main pipeline to take the gas throughout Anatolia. In total, these will cost between $600m and $1bn (£375m and £625m). So far, 36 firms have been invited to bid for this contract, either in consortia or individually.

Credit signing clears way for defence contract

SIGNING of a $220m credit package in London yesterday has cleared the way for a $1.2bn project to make armoured combat vehicles locally in Turkey, Jim Bodgener writes. The package was put together for the project leaders, FMC Corporation of the US with the Turkish group Nurol, by Chase Investment Bank.

A preliminary award was made to the FMC venture in early 1988, but the deal was delayed by haggling with the Turkish Treasury over terms of a $30m commercial portion.

The remainder of the package is formed from UK, Belgian and Dutch export credits to cover supplies from the respective countries. In addition to the funding package, the project will be financed by a total $750m in offset agreements and export proceeds.

The scheme is part of Turkey's ambitious indigenous defence manufacturing programme, overseen by the Defence Industry Development Administration (SAGEB). The assembly plant will be completed in 18 months.

Lufthansa plans orders for A321

LUFTHANSA plans to place orders for 20 A321 jet aircraft and take options on 20 additional planes, the European consortium Airbus Industrie disclosed, AP reports.

The order is subject to approval by the West German carrier's supervisory board and delivery is scheduled to begin in 1994.

Airbus said the latest announcement brings the number of A321 customers to seven.

Honda to sell US cars in Israel

HONDA'S DECISION to sell some of its American-made cars in Israel has been greated as a victory by some Jewish groups working to defeat the Arab boycott, AP reports.

Mr Will Maslow, general counsel of the American Jewish Congress, called Honda's move a "breakthrough" in Israeli-Japanese trade, although the cars are supplied by Honda's Marionsville, Ohio, plant rather than by Japanese factories. He said other Japanese companies are poised to follow.

American Honda Motor, the Japanese carmaker's US subsidiary, confirmed that it intends to start exporting cars to Israel by next year, but could not give any specific volume of exports.

"It depends on the market conditions and on our production capacity," American Honda said.

Mr Maslow noted that there are press reports in Israel that another Japanese car maker, Toyota Motor, has agreed "in principle" to ship its British-assembled cars to Israel. Toyota had no comment on these reports.

Leading Japanese firms, fearful of Arab retaliation, are skittish about direct trade with Israel. However, the US congressmen who are urging Japan to defy the Arab boycott are confident that direct trade will follow.

Member of the House of Representatives, Mr Gary Ackerman, a Democrat from New York, said that the growth of trade between Israel and Japan will have to be an "evolutionary" process.

The Export Administration Act prohibits US firms from complying with the Arab boycott.

Complaints from the Jewish community about Japanese attitudes earlier this year led to sharper US Government scrutiny of the US subsidiaries of Japanese firms doing business *in the Middle East*.

Last March, Daiichi Jitsugyu (America), a subsidiary of a Tokyo, agreed to pay $13,500 (£8,130) in penalties over charges by the US Commerce Department that it had co-operated with the boycott.

Adding to these pressures on Tokyo is a provision in the current foreign aid law to monitor Japan's trade in the Middle East.

Israel already imports a limited number of minor-brand Japanese cars from European and other sources.

Japan and US hold talks on fresh steel quota plan

JAPAN and the US held initial talks yesterday on a plan to extend an international agreement limiting steel imports to the US, but the two sides did not discuss Japan's quota, AP reports.

President Bush is seeking a 30-month extension of voluntary restraint agreements, by increasing by 1 per cent per year the share of the total US domestic market that foreign steelmakers will be allowed.

The US delegation explained the overall quota, but there was no discussion of how the additional 1 per cent per year quotas will be spread out. Talks are scheduled to begin again late this month.

Babcock in HK$1bn deal for town gas plant

By Michael Marray in Hong Kong

THE British engineering group FKI Babcock has won a contract to build a HK$1bn (£79m) town-gas production plant in Hong Kong for the territory's Hong Kong and China Gas utility.

The two sides recently signed letters of intent for Babcock to supply, construct and commission four new town-gas plants on a turnkey project basis, after invitations to tender were sent out by Hong Kong and China Gas to international contractors.

Each new plant at the Tai Po facility, which is located in the Colony's New Territories, will have a production capacity of 50m cubic feet of town gas per day, with the first unit scheduled to come on stream late in 1991, and all four plants to be fully operational during 1992.

Tai Po Phase Two will double existing production capacity of the naptha-based town gas, which is supplied to most built-up areas of Hong Kong Island and the New Territories.

Alternative plans by Hong Kong and China Gas to buy natural gas from China have failed to come to fruition despite years of negotiations.

All building and land costs at Tai Po were met during construction of Phase One, which went into operation in 1987. The HK$1bn price tag for the new expansion, on which work will commence later this year, represents the gas production facilities alone.

During 1988, sales of town gas rose by 16 per cent to a record 12.25bn megajoules, reflecting a construction boom bringing thousands of commercial and residential premises on-stream each year.

The utility's profits for 1988 rose by 32 per cent to HK$424m. The Taipo Phase Two project is expected to be financed from internal company resources.

Czech air orders

The Czech foreign trade corporation Omnipol and Ceskoslovenske Aerolinie have signed with Airbus Industrie for two Airbus A310-300s, as has Air India.

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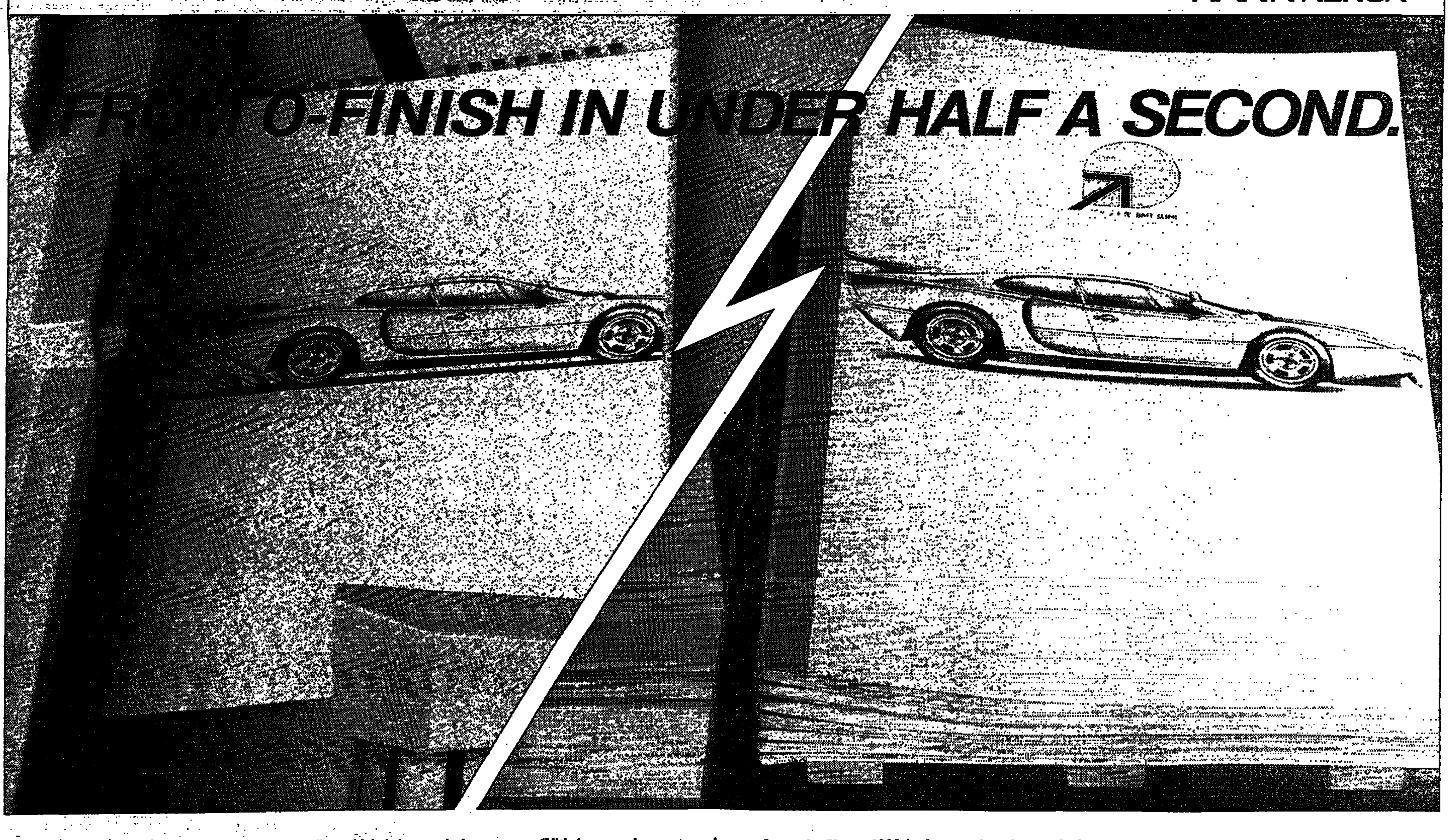

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Australian workers agree pay package

By Chris Sherwell in Sydney

AUSTRALIAN workers are to receive pay rises of A$20-A$30 (£9.40-£14.10) week over the year to July 1990 in return for approved changes in their work agreements.

The award, announced yesterday by the Industrial Relations Commission, the national wage-fixing body, is in line with demands of the Australian trade union movement, which the Labor Party Government endorsed.

The decision also represents another step in the evolution of the Government's "accord" with the Australian Council of Trade Unions which has delivered six years of continuous pay restraint.

The pay increase is part of a trade-off against personal tax cuts which took effect last month, and affects some 7m wage and salary earners. Although it will be implemented in two instalments six months apart, opinions differ sharply about its likely impact on inflation and productivity.

According to the Government, it will mean an overall rise in average weekly wages (now some A$490) of around 6.5 per cent, as intended. Because productivity gains will emerge from work practice reforms and the inflation rate is higher than expected at more than 7 per cent, the Government foresees continued restraint.

But employers say the rise will entail an increase of more than 6.5 per cent in labour costs because of associated imposts, for example for employee training.

They also insist that the productivity gains arising from revised work practices will fall far short of paying for the wage rises, thereby widening Australia's competitiveness gap with other countries.

Yesterday's announcement, which also included upward adjustments to minimum rates of pay, came a day after Mr Bob Hawke, the Prime Minister, hinted that the Government would consider another tax cut for Australian income earners before the next election, due within 12 months.

Responding to questions ahead of next week's budget announcement, he suggested that the Government's large fiscal surplus in the current year – projected by some at A$7bn-A$8bn – could be used as part of another wage-tax trade off.

Mr Hawke's comments were surprising given the Government's often-expressed worries about the need to curb domestic demand in order to cut the current account deficit and reduce the external debt burden.

The continuing rise in both these key measures suggests Australians are living far beyond their means.

Mr Paul Keating, the federal Treasurer, recently indicated that the population must suffer a squeeze in living standards, and was said yesterday to be irritated by Mr Hawke's remarks.

Lange's departure greeted with despair and delight

Terry Hall examines the record of the man who transformed New Zealand's political landscape

THE SURPRISE decision by Mr David Lange to resign as New Zealand's Prime Minister has been greeted with near despair by the ruling Labour Party's traditional supporters, including the trade union movement which relied on him to temper what it regarded as the excesses of the economic reformers.

The president of Labour's Trade Unions Support Group, Mr Pat Kelly, described the resignation as a disaster for the working class. And Party President, Ms Ruth Dyson, another prominent unionist, was near tears, saying she was shocked and dismayed and that she had vainly tried to get Mr Lange to change his mind.

However, right-wing economists and businessmen expressed delight at the news. They blame Mr Lange for stalling the economic reform programme, and want a continuation of tax cuts and labour market deregulation. The Right saw Mr Lange, with his commitment to the welfare state, as an obstacle to economic progress.

Mr Lange had led his party to two crushing victories over the opposition National Party. A forceful, charismatic figure, he was a key man in changing the majority of New Zealanders' views on such things as nuclear visits by warships, its involvement in the Anzus pact, and on sporting contacts with South Africa.

But he is most likely to be remembered for his early endorsement of the programme of sweeping economic change of his former Minister of Finance, Mr Roger Douglas. Known as "Rogernomics", this changed New Zealand from a protected domestic economy to one of the most open in the world, and fostered developments such as privatisation and reform of the public service.

However, differences over the social justice of the programme, which led to a massive rise in unemployment, led Mr Lange to scrap a Douglas proposal for a new low-tax regime early last year. This led to bitter recriminations and ultimately to Mr Douglas's sacking early this year.

Subsequently, Mr Douglas worked tirelessly to topple Mr Lange. All efforts met with failure until last Thursday, when Mr Douglas unexpectedly stood and was elected to Cabinet after previously declaring that he would never again work under Mr Lange. The prospect of renewed open warfare spurred Mr Lange's decision to resign.

This was coupled with doctors' reports on the toll the strain of office was taking on his health.

In office, Mr Lange had remained true to his conservative Methodist upbringing which had been influenced in London by Lord Soper. He had met his wife, Naomi, at a church meeting there in 1966. He was seen to represent a return to a big-spending socialist government, on such things as education, and to be soft on unions and labour market reform.

Both left-wing and right-wing factions of the Labour Party believe that, with Mr Lange's resignation, the Government is now effectively in the hands of Mr Douglas and his reformers.

Mr Lange was outspoken and made many enemies. He took his role of party leader seriously, with a strategy which managed to give a semblance of unity to a diverse membership with dynamic factions.

This culminated in the success of last week's Budget which managed to win widespread praise for managing, in difficult times, to successfully blend Mr Lange's social welfare goals with the ongoing battle against inflation of the new Finance Minister, Mr David Caygill.

This is believed to have established a platform for success in next year's election. It is ironic that Mr Lange felt forced to depart at a time when his own and the party's popularity is rising strongly in opinion polls.

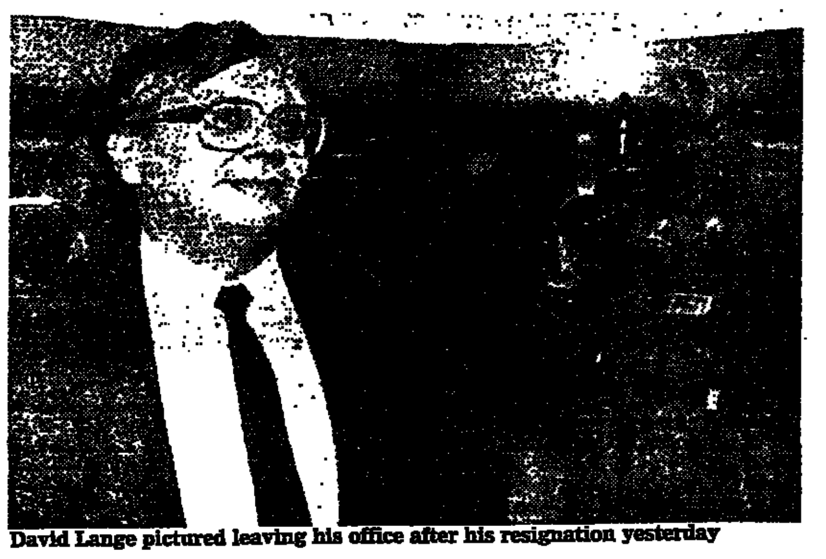
Financial markets are likely to be uneasy until a new leader is chosen and shows his mettle. However, after severe ructions yesterday, immediately after the news of the resignation, the markets settled down later with the prospect that Mr Caygill will remain Minister of Finance, the implication being that there will be no drastic change in economic policy.

A Prime Minister from the Douglas faction could put great pressure on party unity and cause problems with the industrial wing. A compromise candidate, such as Trade Minister, Mr Mike Moore, who is popular with business and the unions, could be a success, although he is distrusted by the Douglas group as being too liberal.

Mr Lange is leaving on a politically high note. As Prime Minister he brought warmth, humour, intelligence and humanity to a difficult job, which he inherited after the exchange rate crisis of 1984.

One of his main strengths as Prime Minister was to be able to oppose majority opinion, and try to talk it round to his point of view.

His departure now raises question marks over whether New Zealand will go ahead with the joint venture with Australia to build frigates. Polls suggest that the project is opposed by the majority of New Zealanders, including Mr Douglas. If this deal does not go ahead, it will place severe strains on relations with Australia, New Zealand's main trading partner.



David Lange pictured leaving his office after his resignation yesterday

Commonwealth report says 'tighten sanctions'

COMMONWEALTH countries have been urged to adopt a five-year programme to toughen trade sanctions against South Africa, Reuter reports from Canberra.

The recommendation was made in a report commissioned by the eight-member Commonwealth Foreign Ministers' Committee on southern Africa, currently meeting in Australia to study ways to tighten sanctions.

The report was drawn up during the past 18 months by a team of specialists headed by a Canadian academic, Mr Joe Hanlon. It says sanctions imposed so far have had only limited success, reducing Pretoria's trade by around 7 per cent. It says sanctions need to be increased fourfold under a set timetable, preferably during the next five years, to force South Africa to the negotiating table.

"It is obvious that trade sanctions have failed to achieve the main political goal: genuine negotiations with representatives of the majority of the people of South Africa," states the report.

"It will be necessary to substantially widen and tighten existing measures, and to act quickly."

The foreign ministers, from Australia, Canada, Guyana, India, Nigeria, Tanzania, Zimbabwe and Zambia, will draw up their own recommendations before the three-day meeting ends tomorrow and these will be put before the Commonwealth summit in Kuala Lumpur in October.

The Hanlon report advises taking advantage of South Africa's current indebtedness, in having to reschedule $14bn (£8.75bn) of its debt by June 1990. The 20 recommendations include:

- Commonwealth governments should announce they plan to phase out trade with Pretoria over five years.
- Importation of all non-strategic South African minerals, including coal and base metals should be banned.
- Worldwide production and sale of platinum coins and small bars should be prohibited. South Africa produces 85 per cent of the world's platinum.
- Credits for sales to South Africa should be phased out over three to five years.

Analysts said it was unlikely that Britain would agree to adopt the more stringent measures, but if other Commonwealth members took them up more governments around the world would follow suit.

Toyota sacks S African strikers

TOYOTA South Africa sacked 3,600 black workers yesterday for refusing to end a wildcat strike at its Durban plant, but the company said they would be given a chance to get their jobs back, AP reports from Johannesburg.

The Industrial Court last week ruled that the strike was illegal and ordered the National Union of Metalworkers of South Africa, which represents most of the strikers, to get them back to work. Toyota said it took action because the union had not complied with the order.

Mr Les Kettledas, a union official, said Toyota had given the workers until August 16 to apply to get their jobs back on the company's terms. He said the company had closed the plant last week and accused the workers of starting a wildcat strike because they had held discussions about a contract dispute after their scheduled half-hour lunch break.

Kaifu calls for sales tax changes

THE MAN most likely to become Japan's next Prime Minister, Mr Toshiki Kaifu, yesterday called for a drastic overhaul of an unpopular sales tax, but endorsed his party's economic and foreign policies, Reuter reports from Tokyo.

"We must revamp the sales tax into a welfare-only tax to win support for our policy to finance Japan's ageing society," Mr Kaifu, a former Education Minister, said in a speech at a Liberal Democratic Party (LDP) convention.

"On the whole, we, the LDP, have not been wrong in protecting freedom and democracy and promoting prosperity among the people," he said.

The convention was called to hear policy speeches by the three candidates running for party leader, who by virtue of the LDP's majority in the lower house of Parliament will become Prime Minister.

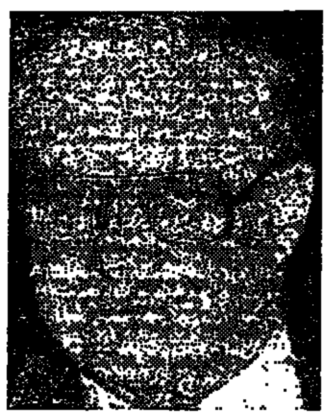
Mr Kaifu, 58, is set to win today's vote for party head and he is expected to be named Prime Minister tomorrow, after a parliamentary vote.

The outgoing Prime Minister, Mr Sosuke Uno, has resigned to take responsibility for the LDP's worst electoral defeat in the July 23 upper house elections. The LDP lost mainly because of the sales tax, but also suffered over the Recruit scandal and allegations about Mr Uno's personal life.

The other two candidates are former Welfare Minister, Mr Yoshiro Hayashi and former Transport Minister, Mr Shintaro Ishihara.

The Japan Socialist Party, which leads a majority opposition bloc in the upper house, has announced it will submit a Bill to abolish the three-per-cent sales tax. The tax has been imposed on all goods and services since April.

Political analysts said that the two houses must reach a compromise on the sales tax or the new Prime Minister may have to dissolve the lower house and call an early general election. The four-year lower house term runs until next June.



South African central banker dies

MR Gerhard de Kock, pictured left, the Governor of the South African central bank, has died, state-run radio said yesterday, Reuter reports from Johannesburg. He was 63.

Mr de Kock, known as apartheid's banker, had announced his resignation in June on health grounds. He suffered from cancer. Radio South Africa said he died suddenly early in the morning.

Mr Chris Stals, South Africa's director-general of finance, the top treasury post, was due to take over as head of the central bank on November 1. Mr de Kock had been appointed Reserve Bank governor in 1981.

The scholarly, urbane Mr de Kock was credited with masterminding a 1987 debt rescheduling pact that offered South Africa an economic lifeline after foreign banks cut off credit lines two years before because of mounting black anti-apartheid unrest.

The banks' decision prompted Pretoria to impose a partial moratorium on repayments of its total $24bn foreign debt.

Mr de Kock, who advocated loosening government controls on the economy, was charged with explaining the moratorium to his US and European colleagues, many of whom were friends. He then succeeded in a delicate juggling act necessary to keep the country's sanctions-hit economy afloat while still ensuring that debt repayments are met according to schedule.

Premadasa puts off troop pullout decision

By David Housego in Colombo

SRI LANKA is bracing itself for a tense few days with the announcement yesterday that President Ranasinghe Premadasa is postponing until the end of the week his decision on India's proposals for troop withdrawals.

A statement issued at the end of a specially convened cabinet meeting yesterday said that Mr Ranjan Wijeratne, the Foreign Minister, will give parliament today details of proposals put forward by both India and Sri Lanka during talks in Delhi last week on the linked issues of the withdrawal of the Indian Peacekeeping Force and of the security of the Tamil population in the north.

The foreign minister's declaration today will be the first official account of the week-long negotiations which failed to produce an agreement.

The statement issued after yesterday's Cabinet meeting said that a further special meeting of the Cabinet will be called on Friday evening after which Mr Premadasa will take his decision.

This timetable will allow Parliament to debate the issue. But it will also give the extremist Sinhalese JVP movement the opportunity to mobilise its forces against what it considers any "surrender" to Indian terms. A general strike is already a possibility for Wednesday – and the JVP is likely to consider further action depending on the contents of tomorrow's statement.

The postponement of the decision and President Premadasa's uncharacteristic widening of the debate is seen to reflect his reluctance to take responsibility for accepting or rejecting India's terms.

The Indian proposals are believed to include an offer to withdraw India's 45,000 troops at the rate of 1,500 a week – meaning that the last would not be gone until March next year. But this timetable would also depend on progress in neutralising the Tamil Tigers, the guerrilla force fighting for a separate Tamil state in the north. The Indians would also offer a limited – possibly two-week ceasefire – against the Tigers, also conditional on their response.

These two proposals are tied to Sri Lanka taking further steps to devolve power to the North Eastern council and the setting of a 7,500 police force in the area to take over from the Indian troops.

A woman in Christian East Beirut weeps in the wreckage of her home after shelling across the city's Green Line.

Beirut shellings kill two

SYRIAN and Christian forces battled with mortars and tanks across Beirut's Green Line yesterday killing two people and wounding eight, after another night of shelling in Lebanon, Reuter reports from Beirut.

Christian army chief Major-General Michel Aoun appealed to Soviet leader Mikhail Gorbachev to put pressure on Syria, an ally of Moscow, to stop the fighting.

The Museum crossing, a 500 metre-wide stretch of wasteland linking the Moslem and Christian sectors of the capital, was closed as the battles erupted and people rushed for cover in shell-pocked buildings.

The Christian Voice of Lebanon radio station said mortars and tank shells crashed into the Christian suburbs of Ba'abda and Ashrafiyeh, setting dozens of cars and buildings ablaze.

The Sunni Moslem Voice of the Homeland said shells were falling at a rate of five a minute in areas of west Beirut near the Green Line. It reported many fires.

"We believe that you will not let history say that the Soviet Union stood helpless watching a country destroyed by Soviet weapons," Gen Aoun said in a letter to Mr Gorbachev.

At least 567 people have been killed and more than 2,000 wounded in battles since mid-March when Gen Aoun blockaded Moslem militia ports.

Indian local powers bill key to poll

By K.K. Sharma in New Delhi

MR RAJIV GANDHI, India's Prime Minister, yesterday introduced to the Lok Sabha (lower house of parliament) a controversial constitutional amendment bill to increase the powers of local urban authorities over their financial affairs and development works.

The bill, like a measure to give the same powers to local bodies in villages, is opposed by opposition parties on the ground that it would encroach upon the rights of the States and thus weaken India's federal structure.

Both bills, which have been given extra focus by the coming general elections, are to be taken up this week by parliament. Mr Gandhi is not expected to face any problem in the Lok Sabha from which members of the opposition parties have resigned to protest against his failure to resign after being indicted in a report by the Comptroller and Auditor General on the award of a $1bn contract to Bofors, the Swedish arms manufacturer.

But both bills could be rejected in the Rajya Sabha, the upper house, where the opposition parties have kept their seats. Constitutional bills need two-thirds majorities in both houses and the ruling Congress-I party lacks this in the Rajya Sabha, where opposition parties have made it known that they will oppose the measures.

The bills are the Congress-I's main platform for the coming general elections which must be held by December.

Opposition parties are in a quandary since they are not basically against grant of the extra powers to local authorities. But, they have decided to oppose the measures mainly for political reasons and have declared themselves defenders of the rights of the States.

Mr Gandhi hopes to make the two bills the focus of the coming election campaign, based on the slogan that Congress-I gives "power to the people".

Singapore puts the brakes – and a price – on the car

Roger Matthews reports on plans for the most extensive and technologically advanced system of traffic management

IT is 10.10 on a weekday morning in Singapore and in at least 20 different places leading to the central business district the traffic is behaving oddly.

At each point dozens of vehicles, including taxis with passengers, have pulled to the side of the road and are parked illegally on double-yellow lines with their engines running.

At 10.13 the cars begin to edge forward in cautious convoy. The pace is still less than 10 miles an hour, but those at the rear show no irritation. Ahead, an ugly metal gantry spans the road bearing the sign "Restricted Zone" and below that an illuminated message "in operation". Beneath stand two policewomen scanning each passing vehicle, notebooks poised.

The clock ticks on to 10.15, the light on the gantry blinks out, the policewomen lose all interest in the traffic and put their notebooks away and the cars simultaneously accelerate.

Nobody deals with the motor car quite like Singapore where the Government is already planning to introduce the most extensive and technologically advanced system of road pricing anywhere in the world.

As more and more large cities fall victim to traffic congestion, in small, crowded and increasingly affluent Singapore it is still flowing smoothly, maintaining a respectable average of 32km an hour (20mph) in the busiest part of the morning and 26kph in the evening.

Since 1975, for nearly three hours every morning (7.30-10.15) except Sunday, the motorist has had to pay to enter Singapore's central business district. The only exemptions from the S$5 (£1.50) charge were cars with four occupants (aimed at encouraging pooling arrangements), public transport and goods vehicles.

It has recently been extended to include two and a half hours in the late afternoon and and cars with four occupants, motorcycles and goods vehicles are no longer exempt. The one concession to the motoring public was a $2 reduction in the entry fee.

Nothing about owning or operating a car in Singapore is made easy. The Government does not encourage car purchase, and is even less enthusiastic about car usage. The new arrival in the country, looking to buy a car, may at first be non-plussed by the unwillingness of many salesmen to discuss price: "Do not let us discuss that yet, sir. I do not think it would be helpful, not helpful at all."

Inded, an average four-door family saloon, such as a Honda Accord, costs about £22,000 to put on the road, close to the gross annual salary for a senior manager in industry.

Parking is a further deterrent. For the great majority of Singaporeans who live in apartments built by the Housing Development Board the monthly parking charge is about to double, from S$25 to S$50 and, if you wish to keep your car under cover, from S$50 to S$75.

Hourly charges in car parks throughout the island are also being increased sharply and in the central part of Singapore free on-street parking has been virtually eliminated.

Petrol prices have been put up more modestly but the police are now enforcing a new law which forbids motorists to cross into Malaysia with less than half a tank of petrol, with a S$5,000 fine for anyone found to have tampered with the fuel gauge. Too many people, it seems, had been taking advantage of the depreciation this year of the Malaysian ringgit against the Singapore dollar.

The impact of all these measures may be to slow the rate of increase in the country's car population which rose by nearly 10 per cent in the year up to April, a reflection of an economy growing at a similar rate. But despite the improvements in public transport, in particular the opening of first stage of the mass rapid transit rail system and reasonably priced taxis, recent measures are likely to prove no more than a stop-gap.

Although the Government would have liked to see another city or country take the technical plunge first, it has accepted that within a few years the use of roads in Singapore will have to be charged for as any other public utility. Planning is in the early stages but it seems probable that Singapore will opt for a system of electronic number plates which respond to sensors in the road.

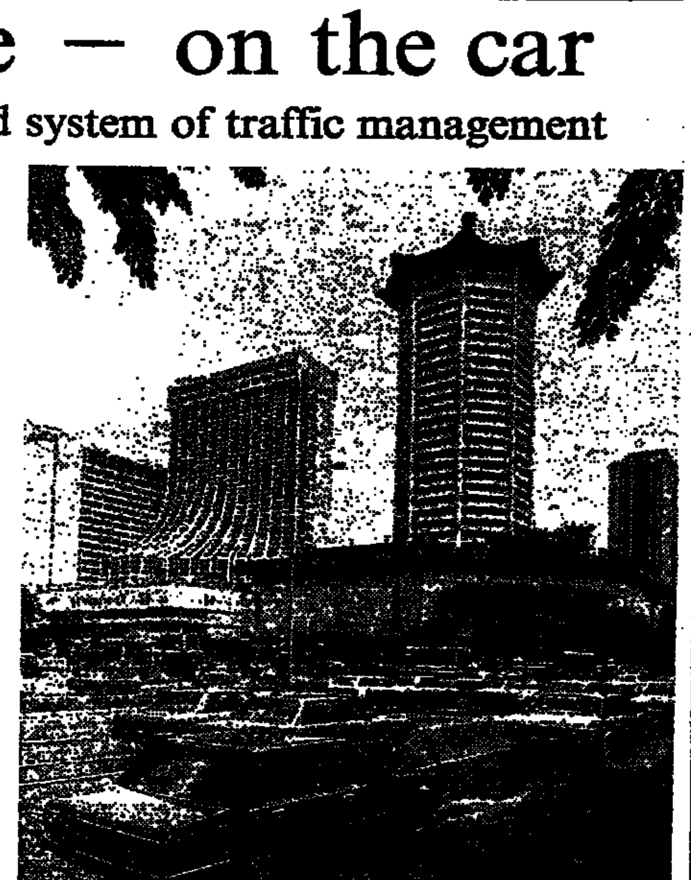
Discussions are under way with several companies to develop the computer software. Once that is available the Government expects that at least a year will be needed to study the operation of a pilot scheme and a further year to provide all vehicles with the number plates.

The new system, which is likely to be in place by the mid-1990s, would allow each kilometre of Singapore road to be subject to variable pricing according to the day and hour. Peripheral areas would always be free of charge, but as a motorist approached the city centre so the cost would increase.

Notorious junctions or bottlenecks would be subject to the highest charges which could be varied as the traffic patterns changed. The movements of vehicles would be recorded by computer and the owner would receive a detailed bill at the end of the month.

Hong Kong briefly flirted with the concept a few years ago but it was abandoned for political reasons. In more disciplined Singapore, where possible objections such as the increased capacity of police to monitor an individual's movements would not be an issue, there is unlikely to be any opposition to the scheme's introduction.

To that extent the Singapore experience will not be easily repeatable elsewhere in the world. But it almost certainly offers a partial glimpse of what must eventually be in store for motorists in some of the world's most congested cities.



Smoothly flowing traffic in central Singapore; but nothing about owning or operating a car is made easy

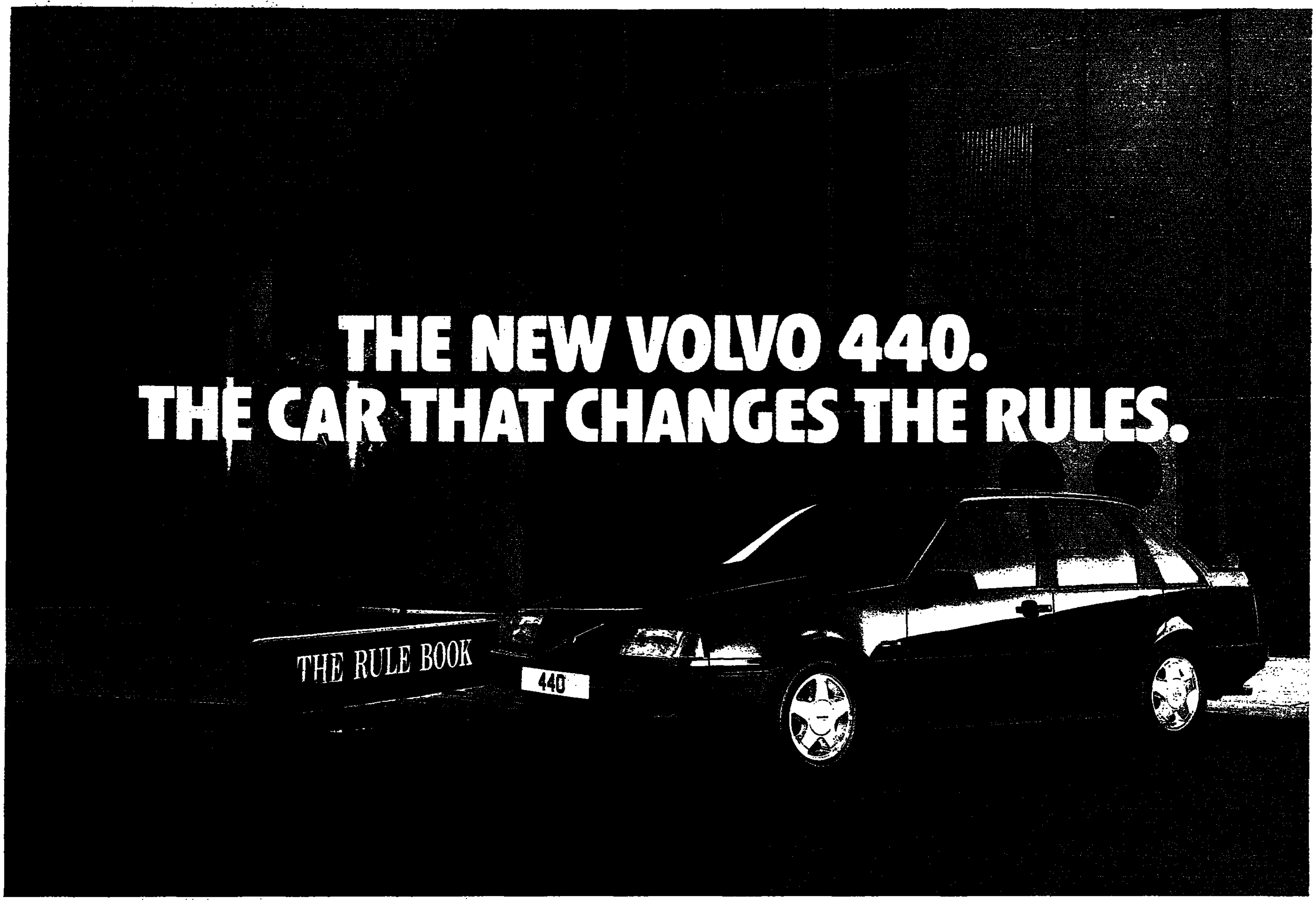
Fatah backs Arafat line on Palestinian state

FATAH, the mainstream group in the Palestine Liberation Organisation, cleared the way yesterday for Mr Yassir Arafat, the PLO chairman, to follow through his diplomatic campaign for a Palestinian state alongside Israel, Reuter reports from Tunis.

Delegates to a congress of more than 1,100 Fatah militants, the movement's first since 1980, said Arafat won 90 per cent support in a vote taken in the early hours. The 10 per cent who voted against, mostly hardliners with reservations about Mr Arafat's concessions to Israel, said they would abide by the majority decision.

The Palestinian parliament, known as the Palestine National Council, proclaimed an independent Palestinian state on the understanding that this would take shape when Israel withdrew from the occupied West Bank and Gaza Strip. It was the first step in a diplomatic offensive which led to increased international support for the Palestinian cause and a dialogue with Washington.

But Mr Arafat faced internal complaints that he sometimes acted unilaterally and that the PLO had gained nothing from his political concessions to Israel and the US.



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UK seeks to open air, sea links in Argentine talks

By Janette Staubus in Buenos Aires and Andrew Marshall

THE LIFTING of restrictions on air and sea links will head the list of issues raised by Britain during direct talks with Argentina, expected in the next two weeks.

British aircraft have been banned from entering Argentinian airspace, and British ships from entering Argentine waters, since the 1982 war over the disputed sovereignty of the Falkland Islands.

Such communications would allow British Airways to re-establish its service to Buenos Aires, and would increase the practical effects of Argentina's announcement last week that it was lifting restrictions on British imports.

British Airways was last week reported to be reviewing its schedules in the light of the possibility that services to Buenos Aires might be resumed as soon as October.

BA, which has been co-operating closely with Aerolineas Argentinas on an informal basis, has been pressing for this as a means of reopening routes to the southern cone of South America.

Mr Crispin Tickell, the UK representative at the United Nations, is expected to meet with a senior Argentinian official in New York in about two weeks time for the first direct dialogue since talks in Berne collapsed in 1984. Britain and Argentina have not had diplomatic relations since the war.

Some press reports have named the Argentinian official as Mr Marcelo Delpech, formerly Argentina's envoy to the UN. However, when the Menem administration took office last month, the post of UN envoy was handed over to Mr Jorge Vazquez, and he is more likely to be Argentina's representative at the talks.

The agenda is not yet formalised, but the main topics on the British list of outstanding issues relate to economic and business issues.

Despite high hopes in Buenos Aires, the talks are not likely to lead to immediate results, but will probably serve as a prelude to future, more substantive discussion.

There remains a scepticism on Britain's part that Argentina has changed its fundamentally hostile line, despite last week's gesture and some friendly remarks in speeches by the new President, Carlos Menem. Hence, Britain will also be looking for a formal Argentine declaration of an end to hostilities against Great Britain.

The issue of sovereignty over the Falkland Islands, disputed by Britain and Argentina, will be placed under a negotiating "umbrella" while the talks take place. However, there is a danger that Argentine expectations could be raised that a solution to the problem is under discussion.

"Thatcher accepts negotiations" was the headline in one Buenos Aires newspaper this morning, giving the impression that the Prime Minister was ready to discuss the issue that is at the top of Argentina's foreign policy agenda: Britain lifting its 150-mile protection zone around the Falkland Islands. But this is at, or near, the bottom of the British agenda.

It might be hard at times, but it's still Jerusalem

LEONID WEINSTEIN, smiling at the memory, recalls the day in December 1987 that he and his "refusenik" family at last flew from their erstwhile home in Moscow to Israel via Bucharest after seven years of applying to leave the Soviet Union, writes Hugh Carnegy in Jerusalem.

"We were very, very excited on the flight from Romania. I thought of my father and mother, of my grandparents – for generations we dreamed of coming to this land."

A year and a half later, Leonid, his wife Ilana and their children Leah (14) and Gabriel (7) are still adjusting to life in the Promised Land. They are happy enough with their lot, but like many of the increasing numbers of Soviet Jews coming to Israel, they found that the reality when they landed was not so euphoric as their expectations when they circled Ben Gurion airport.

"At the beginning it was very difficult here. It was so hard," said Ilana, an English teacher in the Soviet Union until she was forced out of her job after applying to leave the country. "We weren't used to the climate. We felt like children. When you don't speak the language, you can't explain what you want, what you need."

On the night they arrived, the Weinsteins were brought to an Absorption Centre at Mevasseret Ziyyon, just west of Jerusalem – one of many dotted around the country. They were accommodated in a basically furnished flat in a neat row of two-apartment, two-storey houses where they still live today.

They lived rent-free for six months, receiving an initial modest cash float and some essential food supplies, followed by special allowances for immigrants and unemployment benefit. The absorption centre and special immigrant counselling groups provide free intensive Hebrew lessons and other advice and assistance.

Once the language barrier is overcome, the big issues to face are finding a job and independent accommodation. It is these problems that are becoming increasingly acute as immigration numbers rise. In the first six months of this year, there was a 37 per cent rise in immigration over the same period in 1988. At the same time, a serious slowdown in the economy has limited the availability of funds for housing and pushed unemployment to close to 10 per cent.

With 30,000 people backlogged in absorption centres already, officials are quietly wondering aloud what would happen if the vast majority of Soviet Jews did not in fact choose to go elsewhere, mainly to the US.

Leonid and Ilana admit the thought of going to the US did cross their minds last year when things were particularly difficult for them in Israel. But, luckier than many, Leonid has now found a permanent job with the state telecommunications company Bezeq after a few false starts, including a spell as a night watchman.

However, as a highly qualified engineer in the Soviet civil aviation industry, with a PhD to his name, he is probably overqualified for his present job. He arrived in Israel just as state-owned Israel Aircraft Industries was cutting back after the cancellation of the Lavi jet fighter project.

Ilana's Soviet qualifications as a teacher and nurse were not acceptable in Israel so she is doing low-grade hospital work in an attempt to qualify as a nurse. Determined to stay close to expensive Jerusalem, they have yet to find an apartment they can afford.

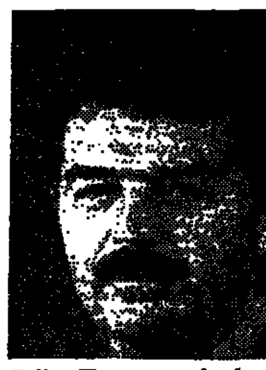
They smart a little at having swapped what was, by Soviet standards, a privileged social position in Moscow for lowly status in Israel, but say most Israelis extend them a warm welcome. They worry about the political situation, but make it clear they fall well within the hawkish wing of Israeli opinion. They say the key to successful assimilation is to have a real commitment to the Jewish state and a determination to get on by one's own efforts.

Leonid illustrates his feelings by drawing back a curtain and gesturing at the view across the hills to the holy city. "You know we say: 'Next year in Jerusalem.' Well look. It's Jerusalem, Jerusalem."

Where a father's bolthole is a son's home

FT correspondents look at escapees who have settled in their places of refuge

IN SEARCH OF REFUGE



Julius Hagymassy junior and senior: home and away

ON New Year's Eve, 1956, Julius Hagymassy, his wife and two children, fled their native Hungary, writes Lionel Barber.

Wearing white sheets as camouflage, they zig-zagged through snow-covered cornfields, throwing themselves to the ground every time the Russian border guards' magnesium flares lit up the night sky.

Julius, now 76, remembers the final stretch to freedom, wading waist-deep through a freezing river into the arms of Austrian farmers.

There was never any doubt they would seek refuge in the US. At the turn of the century, Julius's father-in-law, a roguish entrepreneur with a taste for automobiles, had taken his family to Cleveland, Ohio, and returned home in the 1920s, a rich man.

So the Hagymassys already had a little Hungarian network of their own when they arrived at Camp Kilmer, New Jersey in 1957. Julius, who had smuggled out $70 accumulated during the war, found a job as a gardener, earning $370 a month; his wife worked as a cook.

His son, also Julius, was 12 at the time. Now a project manager in advanced ceramics with Dow Chemical, he is based at the company headquarters in Midland, Michigan. He remembers how he craved for meat in those early days, and how his rundown body succumbed to rheumatic fever.

For the next 10 years father Julius shuttled around New England in a Volkswagen Beetle looking for work as a gardener-cum-estate manager. One summer, he worked for Baroness Hilda Rothschild in Vermont, along with her 38 Afghan dogs; in the early sixties he at last settled in Riverdale, on the Hudson, in upstate New York.

Julius junior won three scholarships, including one from the National Science Foundation, and enrolled at Clarkson University in New York state. Every vacation, he washed cars, painted houses and cut grass. In eight years of college, he never cost his parents a cent.

He wanted to be an American. "Even in those days he had an American girl on his arm," says his father, in his fractured English, as he showed, with disapproval, a photograph of his son on high-school graduation day. He went on to marry an American and his three daughters, Ana, 20, Ava, 18, and Klara, 16, are Hungarian in name only.

Julius says he wished, under all circumstances, not to become a "professional Hungarian" in the US. By that he means a Hungarian who bemoans how the Americans did nothing to stop the Soviet tanks in 1956; a Hungarian who spends all his time in Hungarian exile clubs; a Hungarian who "knows all the answers to the world's problems, but only offers a Hungarian solution".

His younger sister, Susan, chose a different path. Now 41, she is married to Szabolcs Nanassy, a 46-year-old Hungarian who escaped via Yugoslavia and was given shelter in her parents' home in 1966. They married in 1970, and have a 13-year-old daughter, Amy.

Today, Susan admits she married a Hungarian only out of respect for her parents. "I got married at 22. I never lived on my own. I ran a traditional Hungarian home, making soups, baking bread. Amy did not start speaking English until she started school. Now I see things a whole lot differently."

Today, she tries to pass on life's lessons to other refugees; recently, she sponsored a family from Laos. "Every refugee has to start in an entry-level job. It might be degrading, but as long as you have a job and you prove yourself and get a good reference, you will have a stepping stone to a better job."

Brother Julius's advice to refugees in the US is: learn English, learn the culture, and learn the law. "Don't bury yourselves in your own culture," he says. He vehemently opposes the movement to teach Spanish as a second language in schools to accommodate the flow of poor Hispanic immigrants. "We need to preserve some kind of homogeneity in this country."

Julius senior, sitting with his elderly Hungarian girlfriend who cannot speak a word of English, grumbles about lax discipline in America, but he values above all freedom of movement and the right to vote.

Would he ever go back to Hungary? Sure, he says, he and his friend are going back soon for a holiday. He still thinks of returning for good: "It is," he says, "for me something romantic."

Botswana RST Limited

Incorporated in the Republic of Botswana

INTERIM REPORT

Results of the company and its subsidiaries for the six months ended June 30, 1989

	Half-year ended June 30 1989	Half-year ended June 30 1988	Year ended Dec 31 1988
Production and Sales (Tonnes-metals contained in matte)			
Metal produced			
– Nickel	9 289	11 888	22 539
– Copper	9 806	13 436	24 428
– Cobalt	107	154	291
Metal Sales			
– Nickel	10 634	10 567	22 465
– Copper	10 993	12 545	25 383
– Cobalt	132	137	294

	Half-year ended June 30 (Unaudited) 1989 P000's	Half-year ended June 30 (Unaudited) 1988 P000's	Year ended Dec 31 (Audited) 1988 P000's
Consolidated Income Statement			
Sales	271 349	171 397	420 938
Operating Profit	195 016	108 625	284 298
Royalty paid	(12 984)	(6 281)	(16 395)
Interest paid	(35 338)	(10 607)	(18 288)
Realised currency exchange fluctuations	(5 227)	(4 892)	(20 359)
Profit before deferred royalty, deferred interest and unrealised exchange fluctuations	141 467	86 845	229 256
Royalty accrued but deferred for payment	(1 240)	(2 550)	(5 100)
Interest accrued but deferred for payment	(82 041)	(80 704)	(179 130)
Unrealised currency exchange fluctuations	(73 302)	(188 679)	(227 291)
Taxation	–	–	–
Net loss attributable to the shareholders of Botswana RST Limited	(15 116)	(185 088)	(182 265)
Accumulated deficit at beginning of the year	(1 347 287)	(1 165 022)	(1 165 022)
Accumulated deficit	(1 362 403)	(1 350 110)	(1 347 287)
Net loss attributable to the shareholders of Botswana RST Limited per ordinary share:			
Pula	(P0.84)	(P10.30)	(P10.14)
Sterling	(£0.26)	(£3.19)	(£2.89)
U.S. Dollars	($0.40)	($5.50)	($5.20)
Exchange rates used above: P1 =	£0.3080	£0.3100	£0.2855
P1 =	$0.4760	$0.5340	$0.5130

	Half-year ended June 30 (Unaudited) 1989 P000's	Half-year ended June 30 (Unaudited) 1988 P000's	Year ended Dec 31 (Audited) 1988 P000's
Capital expenditure and commitments			
Capital expenditure	10 554	1 940	6 650
Capital commitments	9 907	2 063	1 849
Capital expenditure approved by the directors but not committed	30 751	6 760	12 221

Review of Operations

Capacity production rates were maintained at the Phikwe and Selebi mines. The surface plants also performed satisfactorily until the second half of June when problems occurred in the flash smelting furnace and electrostatic precipitators. Furnace operations returned to normal on July 3 but rehabilitation of the precipitators is expected to take several months during which time a minor loss of production is forecast. Metal production was below the record level set in the corresponding period of 1988 due principally to the treatment in 1988 of high grade concentrate produced and stockpiled in 1987. The furnace problems experienced in June and lower than expected ore grades also contributed to reduced production. Mine costs increased by 12.2% above the level of the last six months of 1988 due mainly to the replacement of equipment past its economic life. Sales during the period, resulting from deliveries of matte to the Falconbridge refinery at Kristiansand and to refiners in Zimbabwe, amounted to 21 759 tonnes of metal contained in matte.

Nickel prices were especially favourable during the first quarter of the year but steadily weakened thereafter. The LME cash nickel price which averaged U.S. Dollars 8.07/lb for the first quarter was U.S. Dollars 5.51/lb in June. Copper prices followed a similar pattern and the LME Grade A copper price which averaged U.S. Dollars 1.48/lb for the first quarter weakened to U.S. Dollars 1.15/lb in June. Free market cobalt prices remained steady in the range of U.S. Dollars 7.45/lb to U.S. Dollars 7.65/lb. Sales revenue in Pula terms was assisted by the strengthening of the U.S. Dollar against the Pula. The Pula which started the year equal the U.S. Dollars 0.51 ended the period equal to U.S. Dollars 0.48 despite the revaluation of the Pula against all currencies by approximately 5 per cent on June 5, 1989.

The operating profit was P195.0 million compared with P108.6 million for the corresponding period of 1988 and P175.7 million for the half year to December 31, 1988. After royalty paid of P13.0 million (1988: P6.3 million), interest paid of P35.3 million (1988: P10.6 million) and realised currency exchange losses of P5.2 million (1988: P4.9 million), the profit for the period before deferred royalty, deferred interest and unrealised currency exchange losses was P141.5 million (1988: P86.8 million). After deferred royalty of P1.2 million (1988: P2.5 million), deferred interest of P82.1 million (1988: P80.7 million) and unrealised currency exchange losses of P73.3 million (1988: P188.7 million) a loss of P15.1 million (1988: P185.1 million) was recorded. The large unrealised currency exchange losses, relating entirely to loans denominated in U.S Dollars, arose from the strengthening of the U.S. Dollar against the Pula referred to in the previous paragraph.

The capital expenditure of BCL Limited (BCL) during the six months under review amounted to P10.6 million and was funded from operations. At March 31 and June 30, 1989 a total of U.S Dollars 105.0 million of available cash was distributed in payment of royalties, the Amax Nickel Inc. Indemnification Amount and loan principal and interest. A working capital reserve of P32.4 million was retained by BCL at June 30, 1989. The principal shareholders provided loans of P0.2 million to the company to finance the expenses of the company during the period.

The excellent metal prices experienced in 1988 and in the period under review have brought much needed relief to the company but it cannot be anticipated that favourable prices will continue for a further protracted period. The repayment of all fixed term senior debt has improved the ability of BCL to survive a future period of depressed metal prices but an extremely high burden of debt remains. In view of this debt and the substantial accumulated deficits of BCL the payment of dividends on the ordinary shares cannot be anticipated.

Registered Office:
Administration Block
BCL Mine Site
Selebi-Phikwe
Botswana

M B Bayliss
A B McKerron } *Directors*

August 8, 1989

US CAPITAL GAINS TAX ROW

Compromise plan put forward

By Peter Riddell, US Editor in Washington

A POTENTIAL compromise plan for ending months of argument over reducing the US capital gains tax was floated as Congress started its month long summer recess at the weekend.

The plan has been put forward by Mr Dan Rostenkowski, the Democratic chairman of the House Ways and Means Committee, with the private encouragement of the Administration.

Its acceptance in September would represent a considerable political coup for the Administration, and particularly for adroit manoeuvring by Mr Richard Darman, the Budget director, since earlier this year almost all Democrats expressed strong opposition to any cut in capital gains tax.

The Rostenkowski plan envisages allowing investors to index for inflation the value of assets (for tax purposes) bought after July 31 this year, as long as the assets are held for at least one year. In addition, should an investor hold an asset for at least five years, he or she could chose to adjust the basis upward by either the rate of inflation over that period or by 25 per cent, whichever would be the more favourable, and if the asset were held 10 years or more, a 50 per cent adjustment would be permitted as an alternative.

The assets covered would include corporate shares, real estate, timber and tangible assets used in a trade or business. But they would not cover collectibles (such as paintings), stock of foreign corporations and bonds and debt instruments.

This plan has faced criticism from both Democratic opponents of any cut in the rate and from Republicans who believe it does not go far enough. The Republicans are still publicly backing a plan by six rebel Democrats on the Ways and Means Committee which would cut the present top capital gains tax rates of 33 and 28 per cent to 19.6 per cent for two years, after which the rate would rise to 28 per cent and gains would be index-linked.

Moreover, the furthest that the Democratic leadership has moved is to accept the principle of indexing gains for inflation. They have not accepted the Rostenkowski plan.

However, in what will undoubtedly be highly complicated manoeuvrings in September, Mr Rostenkowski's ideas could be seen as a way forward, especially as officials believe it would encourage new investment.

Leading US officials visit Mexico

A TEAM of top US officials, including three cabinet members, was in Mexico yesterday on a visit aimed at continuing progress in US-Mexico relations, AP reports from Mexico City.

The main issues are expected to be continuing foreign debt negotiations and narcotics trafficking. Immigration, trade and investment, pollution and tourism are also expected to feature in the talks.

Mr James Baker, US Secretary of State, Mr Richard Thornburgh, Attorney General, Mr Nicholas Brady, Treasury Secretary and Mr Robert A. Mosbacher, Commerce Secretary were attending a meeting of the US-Mexico Binational Commission.

The Mexican delegation was led by Mr Fernando Solana, the Foreign Minister, and five other cabinet ministers, chief among them Mr Pedro Aspe, Treasury Secretary.

The commission has not met for 2½ years, although meetings were supposed to be held every six months. Relations between the Salinas and Bush administrations are going well, but similar honeymoon periods have ended in bitterness, recrimination and nationalist anger.

Notice to the Warrantholders of

NKK CORPORATION

U.S.$700,000,000 4 1/8 per cent. Notes due 1992
with Warrants to subscribe for shares of common stock of NKK CORPORATION

Pursuant to Clause 4(c) of the Instrument dated 15th December, 1988 under which the above captioned Warrants were issued (the "Instrument"), notice is hereby given that as a result of the issuance on 27th July, 1989 by NKK CORPORATION (the "Company") of its 120,000,000 shares of common stock in a public offering in Japan at an issue price of ¥776 per share, which is less than the market price defined in the Instrument and of the issuance on 26th July, 1989 by the Company of Yen 130,000,000,000 Convertible Bonds in a public offering in Japan at a conversion price of ¥845 per share, which is less than the market price defined in the Instrument, the subscription price for the above captioned Warrants has been adjusted effective as from 27th July, 1989 (Japan time) in accordance with Condition 7 of the Warrants as follows:

(1) Subscription Price before adjustment: ¥964.00
(2) Subscription Price after adjustment: ¥959.20

NKK CORPORATION

8th August, 1989 — 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

To the Holders of Warrants
to subscribe for shares of common stock of

KEIHANSHIN REAL ESTATE CO., LTD.

issued in conjunction with
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NOTICE OF ADJUSTMENT OF SUBSCRIPTION PRICE

Pursuant to paragraph (xiii) of Clause 3 of the Instrument (the "Instrument") dated 27th April, 1987 relating to the above described Warrants (the "Warrants"), notice is hereby given that as notified to the holders of the Warrants on 27th June, 1989, the Board of Directors of Keihanshin Real Estate Co., Ltd. (the "Company") at its meeting held on 20th June, 1989 resolved that the Company offer rights to its shareholders of record at 15.00 hours, Japan time, on 31st July, 1989 (the "Record Date"), entitling them to subscribe for 0.1 share of the Company's common stock for each one share held at the subscription price of 500 Japanese yen per share. Such rights will be exercisable for the period from 7th September, 1989 to 18th September, 1989 (both days inclusive). The shares of common stock subscribed by the shareholders will be issued on 1st October, 1989.

As a result of such offer of the rights, the subscription price of the Warrants was reduced from 810 Japanese yen to 772.1 Japanese yen per share, effective as at 1st August, 1989 which is the day immediately following the Record Date, pursuant to paragraph (ii) of Clause 3 of the Instrument.

THE SUMITOMO BANK, LIMITED
on behalf of
KEIHANSHIN REAL ESTATE CO., LTD.

Dated: 8th August, 1989

GRANVILLE
SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
340	295	Ass. Brit. Ind. Ordinary	340	0	10.3	3.0	9.2
38	28	Armitage and Rhodes	30	0	-	-	-
37	25	BBB Design Group (USM)	37	+1	2.1	5.5	9.0
210	149	Bardon Group (SE)	200xd	0	2.7	1.4	34.2
124	105	Bardon Group Cv. Pref. (SE)	123	0	6.7	5.4	-
125	95	Bray Technologies	95	0	5.9	6.2	8.4
110	105	Bremhill Conv. Pref	105	0	11.0	10.5	-
104	100	Bremhill 8¼ % New C.C.R.P	104	0	11.0	10.6	-
305	285	CCL Group Ordinary	288	0	14.7	5.1	3.6
176	168	CCL Group 11% Conv.Pref	168	0	14.7	8.8	-
215	140	Carbo Plc (SE)	215	0	7.6	3.5	12.6
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	
7.50	6.75	Magnet GP Non-Voting A Cw*	6.75	0	-	-	-
5	4	Magnet GP Non-Voting B Cw*	4.0	0	-	-	-
130	119	Isis Group	129xd	0	8.0	6.2	7.4
145	58	Jackson Group (SE)	127	+4	3.6	2.8	14.8
322	261	Multihouse NV (AmstSE)	285	0	-	-	-
145	98	Robert Jenkins	145xd	0	10.0	6.9	5.3
467	403	Scruttons	465xas	0	18.7	4.0	12.4
290	270	Torday & Carlisle	289	0	9.3	3.2	10.1
117	100	Torday & Carlisle Cnv Pref	114	0	10.7	9.4	-
122	92	Trevian Holdings (USM)	104	0	2.7	2.6	11.2
130	106	Unistrut Europe Conv Pref	130xd	0	9.3	7.2	-
395	355	Veterinary Drug Co. Ltd	390	0	22.0	5.6	9.4
370	327	W.S Yeates	340	0	16.2	4.8	28.3

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UK NEWS

Liverpool dockers vote for end of national stoppage

By Charles Leadbeater, Labour Editor

LIVERPOOL dockers yesterday voted to return to work, bringing to an end the UK national dock strike which started almost four weeks ago.

Liverpool, in the north west, was the last of the 61 ports involved in the dispute to decide to return to work.

About 500 of the 1,200 dockers employed in the docks there voted by about three to one to resume normal working today, after hearing an impassioned plea from Mr Ron Todd, the Transport and General Workers Union general secretary.

The TGWU's general executive council last week voted to recommend an immediate resumption of normal working after returns to work at several ports had left the strikers in a minority.

The executive recommended union officials should seek local agreements with port employers.

The strike was called to win a national agreement following the abolition on July 3 of the statutory National Dock Labour Scheme - introduced in 1947 to regulate dock work and provide a measure of job security for dockers.

It was significant that less than half the docks workforce did not attend the 35-minute mass meeting in Liverpool.

The Mersey Docks and Harbour Company, the main docks employer, had said that more than 400 dockers had applied to start work under revised terms and conditions and 289 for voluntary redundancy payments worth up to £35,000.

It is thought a deep split would have opened within the Liverpool dockers rank if shop stewards had attempted to continue the strike.

Although only a handful of dockers returned to work yesterday morning, the company was confident that the meeting would approve a return to work.

Workers in all the other major ports, including Bristol and Middlesborough, which did not immediately follow the executive's recommendation went back to work yesterday.

Footwear group to shut plants

By Alice Rawsthorn

EATOUGHS, a privately-owned Leicestershire shoe company, has become the latest victim of the recession in Britain's footwear industry as it goes into receivership with the loss of more than 500 jobs.

In recent months several shoe companies have been forced to close by increasing competition. These companies have tended to be relatively small, however, with fewer than 50 employees.

Eatoughs is by far the biggest company to go under during the current downturn. It employed 530 people at two plants in Earl Shilton and Colville – the traditional centre of the British shoe industry.

The company, which made sales of £10m last year, specialised in making synthetic women's shoes for the multiple retail groups. This area of the industry has been the hardest hit by increasing imports.

For the last two years the women's shoe industry in Britain has suffered a rapid rise in imports from the Far East, fuelled by the strength of sterling and expansion of manufacturing capacity in countries such as South Korea and Taiwan.

Factory pay deals hit eight-year high

By Ralph Atkins, Economics Staff

PAY settlements in the manufacturing industry are running at their highest level for nearly eight years – raising the spectre of inflationary wage pressures in the autumn.

In the three months to June, settlements averaged 7.5 per cent, up from 7.3 per cent in the first quarter of the year, according to figures released by the Confederation of British Industry (CBI), the employers' federation. That was the fastest rate of growth since the third quarter of 1981.

The CBI's pay databank also shows a pick-up in private sector service companies. In the first half of 1989, pay settlements averaged 8.3 per cent – up from 7.3 per cent in the second half of 1988 and the highest since records began six years ago.

Manufacturing pay settlements have risen in each of the last four quarters.

However, the CBI said its survey showed manufacturing companies continue to award pay increases which "broadly square" with productivity gains. Productivity growth has also increased in the past year, its figures indicate – but by much less than the rise in pay settlements.

For employees reaching a pay settlement in the three months to June, manufacturers reported an average 7.2 per cent increase in productivity in the previous 12 months.

Mr Rod Thomas, CBI's director of employment affairs, said the UK was "more or less" holding on to its competitive position as measured by labour costs per unit of output. The challenge was to secure an improvement.

Pay settlements could edge higher in the third quarter of this year. Last month, union leaders representing 25,000 manual workers at Imperial Chemicals Industries, chemicals conglomerate, agreed to recommend a pay offer of 9.6 per cent – which could set the pace in other companies.

The CBI's pay databank survey draws on information from a variety of sources. The trend shown by its figures is roughly in line with Department of Employment figures for average earnings – which include overtime and bonus payments as well as wage rises.

Latest government figures showed average manufacturing earnings rising at an underlying annual rate of 9¼ per cent in May.

Government to press EC on 'green' labelling

By John Hunt

THE Government intends to press the European Community for the early adoption of a standard system of "green" labelling on goods so consumers will have information on whether products are environmentally friendly.

The intention is to strengthen the position of UK exporters for the completion of the European internal market in 1992 by getting common criteria for labels.

Germany already has the "blue angel" labelling scheme giving consumers environmental information and other EC countries are working on national schemes.

Mr Chris Patten, the new Environment Secretary, will put forward the proposals at the meeting of EC environment ministers in September. The scheme is outlined in a government consultation paper published yesterday.

The Government has not yet decided whether Britain should have a national scheme. If it does so, it would use EC criteria.

The announcement follows concern among environmental pressure groups that some labelling makes unsubstantiated claims for products.

Mrs Virginia Bottomley, Junior Environment Minister, said yesterday that the environmentally-aware consumer was "on the warpath" and wanted more information.

The consultation paper makes it clear any scheme must be voluntary and self-financing. Labelling would apply to items such as furniture, aerosols, electrical goods and clothing but not to food and drink, which are already covered by existing regulations.

"Any mandatory scheme would be undesirable, unworkable and unenforceable," says the report.

It rejects the idea of labels listing all the environmental features of a product from the "cradle to the grave" – or from inception to eventual disposal.

* Environmental Labelling, a discussion paper, Department of the Environment, Room A302, Romney House, London SW1P 3PY

Fish-n-chips given fast food flavour

Tom Lynch looks at the changing world of the modern-day chippie

Mike Arron

Charlie Cummins: "People are no longer tempted by smelly, dimly-lit chippies"

THE SMELL is traditional enough – the scent of frying potatoes and vinegar wafts over the outskirts of Bolton, Lancashire, while a patient queue forms outside the chip shop. But Charlie's Chips looks very like MacDonald's and the fryer-in-chief has a lot to say about the image of the British chippie.

Mr Charlie Cummins dashes about with buckets of potatoes, pans of batter, trays of fish and bowls of mushy peas as four women in smart red uniforms deal with orders in temperatures which foreign tourist boards boast about.

In snatches of conversation between pouring a bucket of chopped potatoes into one vat of scalding palm oil and pulling a basket of succulent chips from another, Mr Cummins pauses to announce that the day of the greasy, back-street fish and chip shop is over.

His clean, bright, upmarket shop – following the lead of fast food chains such as MacDonald's and Kentucky Fried Chicken – is the way the industry has to go, he says. Image is everything. People are not tempted by smelly, dimly-lit chippies with grimy windows and dubious cleanliness.

Many, he says, have back shops dirty enough to be closed down by health inspectors.

Too many people in the trade, he says, are afraid of raising their prices, even though a few pence more on each meal could improve quality and service. Some are fixed in their ways, some only want to make a fast buck, without re-investing any money.

The great British chip shop has watched its share of the take-away food market steadily decline. The warm, newspaper-wrapped bundle reeking of salt and vinegar has been upstaged by foil-lined boxes of oriental delicacies, polystyrene containers of cardboard burgers and toothpick-size chips, flat boxes containing soggy dough, mozzarella and salami, and plastic bags of assorted kebabs.

However, the British appetite for fish and chips has not diminished – people are simply eating more foreign delicacies. Traditional chip shops have the biggest share of the £650m-a-year fast-food market – more than a quarter.

No one knows when a gastronomic entrepreneur first matched battered cod with chips but fried potatoes were sold on the streets of northern England in the 1780s.

IMAGES OF BRITAIN

Fish and Chips

Charles Dickens mentioned fried fish warehouses in Oliver Twist, published in 1851, and an 1861 survey found 300 people selling fried fish on the streets of London, where the first authenticated fish and chip shop heated its first vat of dripping in 1865.

There are about 10,000 such shops now, down by half on the late 1950s but cooking the same volume of hot meals. They still use about 6m tons of potatoes, about 10 per cent of what Britain's farmers grow, along with 60,000 tons of white fish and about 30,000 tons of oils and fats.

Arguments over the proper way to fry the traditional British fare vary from region to region. The north and parts of the south east want food fried in dripping, while people in other places, including the customers of Charlie's Chips, believe that vegetable oils are best.

The greasy nature of the fare seems not to have put off increasingly health-conscious customers.

Mr Arthur Parrington, general secretary of the National Federation of Fish Fryers, insists that a properly-made plate of fish and chips – fried at not less than 380 degrees Fahrenheit to minimise fat retention – is a perfectly healthy part of a balanced diet.

He is bullish about the industry's prospects and his task is to tell the world that traditional fish suppers can see off the foreign invaders.

One problem, he says, is that too many people enter the industry without learning the trade properly.

The other main problem is that the fish fryers cannot match the advertising muscle of the big hamburger sellers, and the 2,500 federation members cannot be expected to pay for an advertising campaign to benefit all 10,000 fryers.

Mr Cummins is cheerful about the difference a clean shop, modern presentation and a good range of food can make to a business.

He is open about learning lessons from MacDonald's – his price list is of the same design and his frying is organised to minimise waiting.

In the early evening, most of his customers are buying the family meal. By 6 pm on a Friday, the queue is out of the door.

Young people come in later and in this prosperous enclave there is no real problem with the drunks who form such an important part of some chippies' late-night business.

Half of the 2,500 people who cross his threshhold every week buy fish and chips. The staple cod and chips costs only £1.26.

For the rest there are the traditional meat pies and the northern specialities of mushy peas and savoury puddings – with the option of curry sauce. His only competition sells crispy pancake rolls – a Chinese take-away is just along the road.

If Mr Cummins is right, chippies of the future will learn from US fast food chains and compete with them on their terms, although he has no plans ever to refer to his chips as "french fries."

With MacDonald's pitching some of its advertising towards price, the fish supper's main advantage, it could prove an interesting contest.

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Construction output 'set to fall after 9 years' growth'

By Andrew Taylor, Construction Correspondent

BRITISH construction output is expected to fall next year after nine consecutive years of growth, according to the National Council of Building Material Producers, one of the country's foremost construction forecasting bodies.

The council, which publishes its forecasts three times a year, said output was expected to decline by 1 per cent next year as private housebuilding and private commercial and industrial development retreated.

Building material producers have also cut their forecast for growth this year to 1.5 per cent. The council last November forecast that output could rise by as much 3.5 per cent this year.

The council, a confederation of trade associations, federations and companies, represents about 2,000 building material producers and suppliers.

Yesterday's forecasts support other recent indications of slowing construction growth and a cooling of confidence among contractors and developers.

A survey of 600 construction companies published last week by the Building Employers Confederation reported a deterioration in inquiries for new work and an improvement in labour availability. In previous surveys builders had complained of serious shortages of bricklayers and carpenters.

The building material producers' council, however, denied its latest forecasts indicated a gloomy period for the construction industry. It said output was forecast to rise again in 1991, by 4 per cent.

"The forecasts show output taken over the three years, 1989, 1990 and 1991 is expected to continue to grow, despite an isolated fall expected in 1990," said the council.

It said private commercial and industrial output, the backbone of growth in recent years, were both likely to decline by about 5 per cent next year.

It said a projected rise in vacancy rates to 14 per cent in the office sector implied the market was approaching saturation point.

High interest rates meant higher borrowing costs. They also hit consumer spending, creating problems for retail developments. The leisure sector, also dependent on spending power, may also have a lean time, said the council.

Increased output on the Channel Tunnel which, for the purposes of the survey, was included in the industrial sector, was unlikely to be sufficient to offset a downturn in investment in factory and warehouse space next year.

Private housebuilding, which had fallen sharply this year, was likely to remain in the doldrums until 1991, when output was likely to recover as interest rates declined and pent-up demand for homes was released.

The council expected private housing starts – which rose to 213,300 last year – to fall to 170,000 this year and 165,000 in 1990, before rising to 185,000 in 1991.

It expected construction generally to increase in 1991 as a result of lower interest rates, faster growth in the economy and higher government spending on infrastructure in the run-up to the next election.

French water company may seek privatisation partnerships

By Andrew Hill

COMPAGNIE Générale des Eaux, France's largest water supplier and a big investor in UK statutory water companies, could seek partnerships with British water authorities after privatisation.

However, the group yesterday denied reports that it had earmarked hundreds of millions of pounds to invest in the 10 authorities, which will be floated off in November.

Mr Jean-Claude Banon, responsible for Générale des Eaux's corporate development in the UK and US, said: "Obviously we are interested in the privatisation, but we are far from deciding what course of action we will be following."

He ruled out the possibility of passive investments in the authorities and said Générale would prefer a partner in the industry. Such a move could give the group, which also has interests in construction, cable television and waste disposal, a base for further diversification in the UK.

Mr Banon said: "We think there are very few [authorities] that would be interested in talking to us. If we find a partner then indeed we might be interested in buying a stake, but this would be in full consultation with the parties involved."

The Government has already announced that investors will be restricted to a maximum stake of 15 per cent in each authority for the first five years after privatisation.

Générale des Eaux is one of three French water suppliers likely to be interested in water authority investments. Générale, SAUR Water Services – a subsidiary of Bouygues – and Lyonnaise des Eaux already control 12 of the UK's 29 statutory water companies.

Générale may gain control of two more statutory companies north-east of London if the Monopolies and Mergers Commission passes a three-way merger proposed by the local water companies 10 days ago.

All three French companies have indicated that they will wait until nearer flotation before making a firm decision on investment in the authorities.

So far the three groups have spent between £80m and £144m each buying into the industry's private sector, which supplies water to 25 per cent of the population in England and Wales.

ANZ shuts down gilts business

By David Waller

ANZ McCAUGHAN Securities, the UK investment banking arm of the Australia and New Zealand Banking Group, yesterday announced the closure of its gilts-broking business and a refocusing of its other London activities with the loss of 45 out of 340 jobs.

According to Mr Bryan Cavill, managing director, most of the people who have lost their jobs – 23 out of 45 – were "support staff," mainly for the equities research department. Six equity salesman and five analysts are to go, plus nine in the gilts operation.

Mr Cavill said the firm – which absorbed the UK stockbroker Capel-Cure Myers before Big Bang of 1986 – was still committed to the securities business in London. The job losses reflected a strategic reorientation rather than an exercise in cost-cutting for its own sake, he argued.

In future, ANZ McCaughan will concentrate on market-making, distribution and research for small to medium-sized companies. Equity research will be concentrated on a number of specialised industries, including property, engineering and the consumer/retail sector.

The gilts department was closing because it was not a "natural fit" with ANZ's other activities, Mr Cavill said. He added that the whole exercise would cost the firm "a small fraction" of the £4m being spent on the move to new headquarters in Minerva House, Southwark.

ANZ's London unit is believed to have made losses in its last financial year, but no details of these have been made public. The corporate finance business is thought to have made a small profit in the year to September 1988, offset by losses on the broking side.

Separate conduct code for satellite TV rejected

By Raymond Snoddy

THE Broadcasting Standards Council has come out against a separate code of conduct for satellite broadcasters and other providers of subscription services.

The body, set up by the Government to monitor the portrayal of sex and violence and standards of taste and decency on British television, came to its decision after a forum on the issue last month.

Satellite broadcasters have argued that because children can be prevented from seeing subscription channels by electronic "locks," more relaxed standards could apply – a difference that could give satellite channels a commercial edge.

The council, chaired by Lord Rees-Mogg, makes it clear in the second draft of its proposed code of practice, sent to broadcasting organisations yesterday, that it had rejected the suggestion that it should have codes for different forms of broadcasting.

The council says it believes that a single set of standards was more comprehensible to the audience.

It wants to register "a general principle that the mere fact of payment by direct subscription for material which would not usually be transmitted on non-subscription service does not eliminate the need for careful editorial judgment of its suitability for transmission."

The council wants all broadcasters to observe the 9pm threshold for material more suitable for adult viewing, but within the overall principles different channels can develop a different approach to what is put out.

Mr Andrew Neil, executive chairman of Sky Television, said yesterday that the intellectual case for a separate code for subscription services was overwhelming.

He said, however, that he did not think the council's decision would affect Sky's operations at all.

Mr Edward Bickham, an executive of British Satellite Broadcasting, said the company had argued for a differential approach to a single code rather than two codes.

"We want to clarify where the council does see differences between broadcast television and subscription and video," Mr Bickham said.

The second draft of the code is less specific than the first and is intended to cover general principles of how broadcasters portray sex and violence.

The exact status of the code has yet to be determined by the Government.

Mr Colin Shaw, director of the BSC, would like to see the existence, although not the details of a code of practice, specifically recognised in legislation.

IBA to offer two more London FM radio franchises

By Raymond Snoddy

THE 31 unsuccessful applicants for the new London-wide FM radio contract recently won by London Jazz Radio are to be given a second chance after all.

Mr Douglas Hurd, Home Secretary, announced yesterday that the Independent Broadcasting Authority has been given permission to advertise a further two commercial radio franchises covering the capital.

The decision means that by next year London will have a total of nine radio stations.

Applications for the two new franchises, to be awarded under existing legislation, will close at the end of November. The IBA will decide next week whether or not both licences will be for "community of interest" stations.

"More stations mean not more of the same but wider real choice. The new stations will take us two steps closer to the new regime for radio which will follow new legislation," Mr Hurd said.

The new broadcasting bill will provide for up to three national commercial radio stations and several hundred local and community stations.

Among applicants for the FM licence last time were KISS FM, a former pirate, Lord Hanson's Melody Radio and a variety of classical music stations.

Racal Electronics in Channel tunnel deal

RACAL Electronics has been chosen to provide the voice and data communications network for the Channel tunnel in a contract which is expected to be worth more than £20m.

The network will carry the administration and emergency phone services, the public address system, railway signalling, radio communications and monitoring and control systems.

Stitches in time for Nottingham

Hazel Duffy on the prospects for the city's Victorian lace market

NOTTINGHAM'S lace market - 100 acres of tall, mostly Victorian, buildings criss-crossed by lanes and alleys - is being lined up for a facelift.

The impetus to revitalise the area has come from a team of businessmen and the local authority, working in partnership in the manner that Mrs Thatcher lauds as the way forward for Britain's cities.

The lace market plan is the first big push by Nottingham Development Enterprise, which was set up to smarten up the city and stimulate economic growth.

Several such partnerships have been put together in cities around Britain. Their success has varied. A few have managed to get projects moving, but most are still searching for solutions. The more professional of such groups are beginning to realise that their cities and towns are in competition with each other. To make their mark, they need something distinctive.

This is where the lace market comes into NDE's plans. The area is next to the city and is a lively place where mainly small and specialist textile manufacturers trade.

The council wants them to stay, but the premises are mostly on lease. For some, looming rent reviews threaten their existence in the area. If they had to move outside, they would lose the skilled, mainly female workforce, which could spell the end of such companies.

NDE's plan is to shelter them with long leases as part of a comprehensive development plan. In September, the public and private sectors will formally launch the Lace Market Development Company.

In preparation, Nottingham City Council has bought about £1m of property in the area since April. It will put these holdings into the company, and cash, in return for a minority stake – legislation currently before Parliament will forbid local authorities to hold majority stakes in new companies. The council has also been serving compulsory purchase orders on landowners as part of its plan to secure the future of manufacturing in the area.

The chairman of the new company will be nominated by NDE. Wimpey, Y J Lovell, Bovis, and a local developer are expected to participate. Representatives of the manufacturers will join the board.

Paul Murphy

Lace market: scheme should stimulate economic growth

Two areas of the lace market will be set aside for retail developments. Those will help finance the facelift of buildings, and the pegging of rents at levels which the small companies can afford. In turn, the area obviously has tourist potential, aided by an existing museum on the lace business, and the conversion of the old Shire Hall into a museum.

The NDE board reads like a rollcall of the Nottingham establishment. It includes chairmen and managing directors of big local employers such as Boots and GPT Plessey Telecommunications, the vice-chancellor of Nottingham University, and the regional director of the National Westminster Bank. Councillors from the city and county councils are on the board.

The chairman, Mr David White, also deputy chairman of freight company NFC, is Nottingham born and bred. Increasingly, he is in the position where he can assess resources and mobilise the key players in the city. However, he rejects the "city father" description which Mrs Thatcher resurrected in making business people responsible for their communities.

"My expertise comes in enabling things to happen. And I can exert influences, externally, and internally in NDE," he says.

Government policies on industry increasingly call for the devolution of responsibility to local business people. There is no body which automatically fits the bill – NDE is emerging in the role, although a little reluctantly.

The business leadership concept does not sit comfortably yet on the shoulders of people whose first concern is their company. Even within NDE, there is a reticence to be seen as the natural source of leader material. It is a shyness which would surprise similar partnerships in US cities.

A bit of prodding has put Mr Ian Maclean, of GPT Plessey, at the head of the employer-led group which is bidding to be the local training and enterprise council.

NatWest is working with the university and the polytechnic on the idea of setting up a research group which could bid for European Community research funds.

Slowly, the realisation is dawning on more companies that it is in their interests to foster the image of their city. A pleasant environment helps to recruit graduates, and to attract management.

Nottingham has had its knocks in the past. Stalwarts of the Nottingham industrial scene such as John Player and Raleigh shrank or closed in the mid-1980s. Unemployment in the city was 20 per cent three years ago.

The East Midlands has become much more prosperous in the past few years. NDE wants to make sure that Nottingham will be at the centre. It wants a modern city which conserves its attractions from the past.

Public and private sector funds – British Telecom is the single biggest sponsor of NDE – has spawned a study on a rapid transit system for the city. The council has been keen on the idea for a long time, but it could not afford it. With the impetus of the partnership, joint funding is a possibility.

The preferred route has still to be chosen. But, if it does go ahead, it seems likely that the council will put it through Nottingham's inner city as an incentive to encourage development, and jobs for the residents, many of them from the ethnic minorities.

Unemployment in the inner city is still high. Over the next 10 years, an estimated 2,000 extra jobs must be created to get that rate down.

NDE members, private and public, have committed themselves to find the jobs. Nottingham has not forgotten that it suffered in the wave of civic disturbances in the early 1980s.

The social tinge to NDE's activities reflects the enthusiastic part played by the councillors on the board. Both the city and county councils are Labour. They see NDE as a real partnership.

Mr John Taylor, councillor for an inner city wards, says: "Pragmatically, we realise that we no longer have the powers. For the private sector, it is in their own best interests to have a thriving city. We can offer our closeness to people, planning powers, etc. They can provide the entrepreneurial approach."

Development concessions to local councils

By Hazel Duffy

LOCAL authorities will be granted two concessions to the Government's original proposals to define their economic development powers in the local government and housing bill. The proposed powers were presented by the Government as giving councils legal rights to be involved in economic development for the first time.

However, the proposals also restricted the areas in which local authorities could get involved. As a consequence, many Labour-led councils said that the effect would be negative.

In general, local councils will not be able to make grants and loans, or guarantee borrowings, to "undertakings conducted with a view to profit."

The original proposals exempted from the regulation those areas which qualified for central government assistance, such as development areas and urban programme areas.

To these exemptions, the Government proposes to add a new category. Local authorities which have a travel-to-work area within their area, where the unemployment level is above the average for England or Wales, will be able to provide loans, grants and guarantee borrowings

The second concession has injected a £10,000 limit to the general restrictions. It is proposed that councils will be able to make a grant, loan or to guarantee borrowings which, in a single financial year, do not exceed £10,000 in total to any one undertaking.

Subject to certain exceptions, local councils will not themselves be able to undertake banking, insurance, estate agency, manufacturing or trading businesses, but they will be able to assist others which carry out these functions.

Mr David Hunt, Minister for Local Government and Inner Cities, has invited comments on the detailed arrangements.

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Delay in sale of Girobank to Alliance and Leicester

By David Barchard

THE SALE of Girobank to the Alliance & Leicester Building Society has been delayed until the next session of Parliament.

Alliance & Leicester, the country's fourth largest building society, was selected in April as preferred purchaser of Girobank, the Post Office's banking subsidiary, for a price of around £130m. Negotiations have been continuing throughout the summer.

The departure last month of Mr Malcolm Williamson, Girobank's managing director, who is to become the new head of Standard Chartered's Asia Pacific operations, was widely taken to mean that details of the sale had been virtually completed.

However, Mr Scott Durward, chief executive of Alliance & Leicester, said yesterday that though negotiations were going satisfactorily, the sale could not be completed before a designation order had been laid before Parliament and debated. That procedure will take at least 40 days.

It could be November before the bank changes hands.

"This is a technicality. There are no serious doubts that the sale will go through," Mr Durward said.

Alliance & Leicester now appear to have shelved possible plans to change Girobank's name after the sale. "What matters is not the name which appeals to us, but the name which appeals to the public," Mr Durwood said.

Increased imports hamper sluggish textile industry

By Alice Rawsthorn

THE TROUBLED textile industry was hit by a rapid rise in imports in the first half of the year, according to the latest government figures.

The influx of imported textiles and clothing increased by 8 per cent to £3.7bn in the first six months of 1989. The textile and clothing companies did manage an 8 per cent increase in exports to £1.8bn. But this was insufficient to counter the effect of increasing imports.

Since last autumn the industry has suffered a series of job losses and factory closures in an increasingly competitive international environment.

The bigger groups, such as Courtaulds and Coats Viyella, have been forced to rationalise and some smaller companies have closed in recent months.

Mr Allan Nightingale, chairman of the Apparel Knitting and Textiles Alliance, said the deterioration in the textile trade deficit highlighted "the need for new and stronger rules in the world textile and clothing trade."

The AKTA recently called for stronger measures to control unfair trade practises such as dumping – where goods are sold for less than the cost of production – and design theft.

The principal problem has been an increase in imports, boosted by the strength of sterling. Sterling has recently become more competitive, which should alleviate pressure from imports, but the industry is still suffering from the increased interest rates and slow consumer spending.

BR offers rail crash reward

BRITISH RAIL yesterday offered a £10,000 reward for information about the InterCity derailment at West Ealing, London, on Sunday night which was apparently caused by vandalism.

Mr Cecil Parkinson, the Transport Secretary, visited the scene of the accident and urged people to inform on the vandals who, he said, could have murdered 100 people. He said: "The signs are that a crime has been committed and that crime could have turned into murder."

Investigators are understood to believe that the Oxford-Paddington express, travelling at 70 mph, hit a heavy object, such as a sleeper, deliberately laid across the track. The train remained upright until it hit a set of points, ripping up yards of line before crumpling against a station platform.

The engine was crushed on its side against the platform and the following carriage piled on top. Then fire broke out.

Six passengers needed treatment for shock and minor injuries. Mr Conrad Clark, area manager of BR Western Region Paddington, said: "I am amazed that nobody was more seriously hurt."

Mr Parkinson warned that "mindless vandals" who indulged in dangerous, irresponsible behaviour on the rail network faced heavy prison sentences. Describing the crash as "horrific," he added: "Had it turned into murder, then the people who did it would have gone to jail for a very, very long time – and they deserve it."

BR said all information would be treated in strictest confidence. Sir Robert Reid, the BR chairman, who accompanied Mr Parkinson, said they were always looking to make the railways safer, but added: "It's quite a job if we've got 12,000 miles of line."

DTI licence deadlines appeal

By Hugo Dixon

THE Department of Trade and Industry should delay its competition for new personal communications licences, says PA, the consulting group which has helped develop the idea of mass market mobile communications in the UK.

In a letter to Mr Nicholas Ridley, the new Trade and Industry Secretary, PA argues that the deadline of September 14 by which applications for the two or three new licences have to be submitted is too tight.

PA wants the date postponed six weeks to October 26.

One problem with the existing deadline is that it will not give applicants enough time to form themselves into consortia because many of the key executives involved are on holiday.

A further problem is that the deadline is only two days after the date when applications have to be made for a new mobile communications licence in West Germany. Many of the same international companies are involved in applying for licences both in the UK and West Germany.

Hong Kong Governor in lengthy talks

By Michael Cassell, Political Correspondent

SIR DAVID WILSON, the Governor of Hong Kong, yesterday held lengthy talks at the Foreign and Commonwealth Office on the latest situation in the Crown colony.

Sir David, who is expected to see Mr John Major, the Foreign Secretary, later this month, had lunch with Mr Francis Maude, the new Minister of State at the Foreign Office. Later, they had further talks in the presence of officials.

The Foreign Office declined to comment on the discussions, although it is known that Sir David intended to press home the anxieties of Hong Kong people after the crushing of the pro-democracy demonstrations in China during June.

Sir David has already said that he believes the British Government should be prepared to grant right of abode to more than 3m Hong Kong Chinese in order to restore their confidence in advance of the hand-over to China in 1997.

Mr Major announced at the weekend that he intends to go to Hong Kong for talks with politicians and community leaders, most likely towards the end of the year.

Stock Exchange Council elects new deputy

By Richard Waters

THE STOCK Exchange Council yesterday elected a deputy chairman to replace Mr Stanislas Yassukovich, who stepped down at the beginning of July.

Mr Herschel Post, president of Shearson Lehman Global Asset Management, becomes joint deputy chairman with Mr Peter Stevens, who was re-elected for a year.

Mr Yassukovich's departure before the end of the usual three-year period of office coincided with his decision to stand down from his responsibilities at Merrill Lynch, the US securities house, where he was in charge of the European region. He remains chairman of The Securities Association.

Mr Post, 49, is an American who joined the Stock Exchange Council in November 1988.

He chairs the Exchange's international equity market committee, and is also a member of the executive, overseas membership and Europe 1992 committees.

During the annual elections yesterday, the council also re-elected Mr Andrew Hugh Smith as the Exchange's chairman for a further year.

Democrat peer dies after crash

A LEADING Democrat peer died yesterday after a road accident in Portsmouth.

Lord Clement McNair, 74, was deputy whip for his party in the House of Lords. His wife, Lady Vera, 71, was released from hospital after treatment.

Lord McNair, the 2nd Baron of Gleniffer, served as a major in the Second World War and was an author. He was deputy Liberal whip from 1985 until 1988.

TECHNOLOGY

Rachel Johnson looks at research into improved forms of insect repellent

Thwarting the tropical sting

In the beginning, insect repellent was not made to relieve the luckless holiday-maker of the mosquito's nightly high-pitched whine, or the daily torment of scratching a rash of bites.

Chemical insect repellent was a military affair. First used by the British forces in Burma in 1941, it was developed to keep tender-skinned Anglo-Saxon soldiers clear of bites and insect-borne diseases. Far removed from such nostrums as citronella, smoke and antipodean hats with cork fringes, its active ingredient, dimethylphthalate, was used in high concentrations and was applied directly to the skin.

In the 1950s, as the US sent more troops to the tropics, the army commissioned its own research into repellent. After testing 5,000 substances, the research team isolated diethyltoluamide. It has survived 30 years of commercial and military use, and is the active ingredient in repellents throughout the world.

Nothing has superseded "deet", as it is popularly called, and it has has been standard issue for soldiers from 1957. But after 30 years, the insect repellent business is suddenly buzzing with new ideas.

The US army is once again in the vanguard of research and development. This is because repellent is a vital weapon, but one which sometimes backfires. At one stage early in the Vietnam war, even though using deet, the death toll from insect borne diseases was as high as 1,000 US soldiers a month.

And it is unpopular in the field. *Coming into contact with* plastics, such as spectacles and binoculars, it causes corrosion, and is sticky. But worst of all, soldiers in Vietnam realised that the enemy could smell them out if they were wearing it, and came to believe that deet made them sitting targets.

In 1983, the US Medical Research and Development Command stepped up its research to find a product the soldiers would use, and even like. A survey showed that just under half were unhappy with the deet formulation that is still standard issue. "It was a challenge to improve soldier acceptance, and duration and formulation of the product," says Chuck Dafey, of the command's headquarters in Maryland.

With fewer US troops in mosquito-infested zones, it seems an odd time to refine the product. However, as Dafey says: "We have an interest in Central America – and war can break out any place."

So the US army has commissioned another repellent, from 3M, the multinational company based in St Paul, Minnesota. The army demanded that the same active ingredient should be used, but the chemical formulation of repellent is set to change significantly.

Neil Randen, the research specialist who developed the formula, says the new product uses half the amount of active ingredient that the old one did and lasts three times as long.

"It relies on slow release technology, but no one knows how the exact mechanism works. We combined deet with acrylic polymers (long-chain, heavy molecules) for the first time in a repellent preparation, and it just seems to reduce evaporation." This adaptation of the cream's molecular structure means that the deet only leeches out slowly.

The acrylic polymers will control the evaporation of the new deet. Instead of lasting a maximum of eight hours (usually four in humid conditions), the new formula is expected to last 12, and not to damage spectacles.

The new deet is "in procurement" at the moment, Randen says, and should be issued to soldiers in the field next year. 3M will also be making a commercial version for sale across the US.

The European market is also taking a new direction, but appears driven by consumer demand more than military necessity. The more trips abroad made by people from the United Kingdom – 27m in 1987 – the more repellent and sunscreen they buy. Also, manufacturers are responding to the travellers' increased anxiety about going on holiday in exotic locations.

British Airways, for example, started its own medical advisory service for travellers in 1983, to dispense information, reassurance and vaccinations to people flying abroad.

Companies, following in the footsteps of the US army, are spending time and money on more research into repellents and are introducing new brands. The growing appetite for long-haul holidays to tropical destinations justifies this quest for a better product. Intrepid forays into the jungles of the Far East, India and South America have become *de rigueur* for students with three-month summer vacations to fill.

The more conventional Mediterranean destinations also have their share of fleas, jiggers and mosquitoes – and sensible packers are including repellent along with their total block sun cream.

Each developed country has a range of repellents on the market, and all use deet. In Europe, the market leader is Autan which comes in a variety of forms, from cream to stick. Bayer, the German chemicals group, has just sold the Autan brand to Scholl, the German *comfort shoe* company.

This is not just because of a natural affinity between the mosquito and the ankle, where the blood runs closest to the skin. Peter Schmidt, product manager at Bayer, says it makes sound financial sense. Before it sold to Scholl, Bayer ran a test market for Autan in 1985, a television advertising campaign in 1986, and watched sales triple to take 55 per cent of the £4m market last year.

Autan works on the principle of low active ingredient levels, about 20 per cent to 30 per cent, in its range of Autan gels, sprays and sticks. This is not to cut production costs, but because its scientists believe that the human being sweats so much it would be pointless to make a stronger repellent: one third active ingredient is sufficiently strong, Schmidt argues, and poses less problems for those with sensitive skins.

But Bayer, and now Scholl, are always on the lookout for new ways of formulating Autan – because their nearest competitor, Jungle Formula, of the UK, is catching up fast.

Jungle Formula believes in a high level of active ingredient (which it buys in bulk from the German drug company, Pfizer) but will be noting the results of trials of the slow-release deet in the US.

Being a small company, with only three employees in its headquarters in Crickhowell, Powys, Jungle Formula is excited by the implications of slow release. It could cut down on the present high percentage levels of deet used and on production costs.

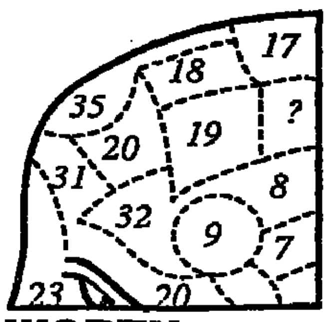
Debates on the comparative efficacy of deet mixtures are bound to continue. But slow release technology could transform the product. But not for a while. "It's pie in the sky as far as today is concerned," says Tom Lowes, managing director of Jungle Formula. Some experts seem to be taking a similarly sceptical line.

Dr Bent Juel Jensen, consultant physician in communicable diseases at the Radcliffe Infirmary, Oxford, still makes up his own personal formula of deet and industrial methylated spirits, which he says worked very well for him on a field trip to the Cambodian border.

"It's very similar to Jungle Formula. I tell people to soak their socks in it and it generally remains effective for 11 hours."

He also recommends such time-honoured methods as mosquito nets and cigarette smoke. As for sustained release, while not dismissing it as new fangled nonsense, Juel Jensen says it has obvious drawbacks.

"No point in using it in a hot country. You'll just sweat it off," he says. *On this assess*ment, only when scientists invent slow-release sweating will such advances transform the small, but feverishly competitive, insect-repellent market.



WORTH WATCHING

Edited by

Della Bradshaw

To Japanese without tears

EXPORTING PRODUCTS to Japan can be an uphill task, not least because of the communications problems in setting up deals and translating documents.

This could now be easier, using an English-to-Japanese translation package developed by the Tokyo firm, Nova.

Although translation systems have appeared in the past, many have proved inadequate because they translated idiomatic expressions literally. Thus a company with plans to leave "no stone unturned" in satisfying its customers might sound more like a road surface manufacturer than a pharmaceuticals company.

Nova aims to overcome that by having both a core dictionary of 30,000 words and additional dictionaries for specific topics. It already has a 40,000-word computer science dictionary and an 80,000 medical one.

Nova says its Transfer/EJ, which runs on high-powered Sony or Apollo workstations, can translate a 50-page English manual in an hour. A-Japanese-to-English translation machine will be marketed later this year.

Shaping up the new model

AS MOTORISTS in the UK rush to buy G-registration cars this month, they may pause to consider the many processes needed to design a new model, such as building full-size testing prototypes before a vehicle goes into production.

That is a time-consuming job, *particularly for the first* prototype which is put in a wind tunnel to test its aerodynamic qualities. This involves building a wooden frame, covering it with sheets of polyurethane, and then carving the sheets to give the appropriate curved outline.

To speed up the process, Hexcel, of France, has developed a spray of non-expanded polyurethane. To make a vehicle model using this technique involves building a rough base of expanded polystyrene reinforced with epoxy glass, and then spraying it with the polyurethane finish.

The manufacturers claim models made in this way have no joints and are thus stronger and give better test results – as well as being cheaper to make.

Amstrad's ill wind . . .

STAGNANT SALES at Amstrad, the UK personal computer maker, have benefited IBM and Compaq, of the US, in sales for the first five months of this year.

A survey of PC distributors and retail outlets shows IBM had 24 per cent of the UK market for business PCs and Compaq 14 per cent, says Romtec, the UK market research and consultancy company. However, the figures underestimate IBM's total share of the market, as they do not include the machines sold directly to customers.

Meanwhile Amstrad clung to second place with 16 per cent of the UK market – down from 20 per cent during 1988. Although sales of Amstrad machines remained stagnant, the overall market grew to £650m for the first five months.

MARKET SHARE (%)

Vendor	*1988*[1]	*1989*[2]
IBM	23	24
Amstrad	20	16
Compaq	11	14
Apple	6	7
Apricot	7	7
Toshiba	4	5
Tandon	4	4
Zenith	3	4
Others	22	19

[1]Units sold whole year; [2]January to May
Source: Romtec 350 resellers' panel

Romtec reports that resellers were not selling the Amstrad PCs at heavily discounted prices, however. By contrast, resellers of both IBM and Toshiba equipment *were slashing* list prices by an average of 20 per cent.

Set in ceramic concrete

RECENT hot weather in the UK has demonstrated the difficulty of working in extreme temperatures. In parts of the world where they soar considerably higher than in Britain – even at night – there are difficulties with construction work, notably in the use of concrete.

The deterioration that concrete undergoes when cast in the heat has forced many governments to rule that companies should not build with it when the temperature is over 35 deg C.

To try to combat the problem a non-organic ceramic concrete has been developed. Although the cement, from the multinational, Concrete Hitech, has been available through restricted outlets for some time, it is now being made generally available.

The Z-33 process mixes a powdered cocktail of derivatives of phosphorous, magnesium and potassium with Portland cement. The chemicals act as a catalyst to produce the ceramic finish, which gives the concrete the desired strength and durability.

Bleeps across the ocean

A telecommunications paging service is the latest way to speed information across the Atlantic to British businessmen travelling in the US.

Anyone wishing to keep in touch with the office when travelling in more than 100 US cities can rent a pager from British Airways at the departure airport. Colleagues wanting to hail the traveller, telephone a London number and provide the traveller's name.

The message is sent via satellite to the pager service, run by National Satellite Paging in the US, and produces the customary bleep on the gadget within 30 seconds. The cost: £9 a day.

Contacts: Nova: Japan, 03 351 3356. Hexcel: France 1 34 64 92 40. Romtec: UK, 0628 770077. Concrete Hitech: France, 1 45 02 18 00. British Airways: London, 562 3358.

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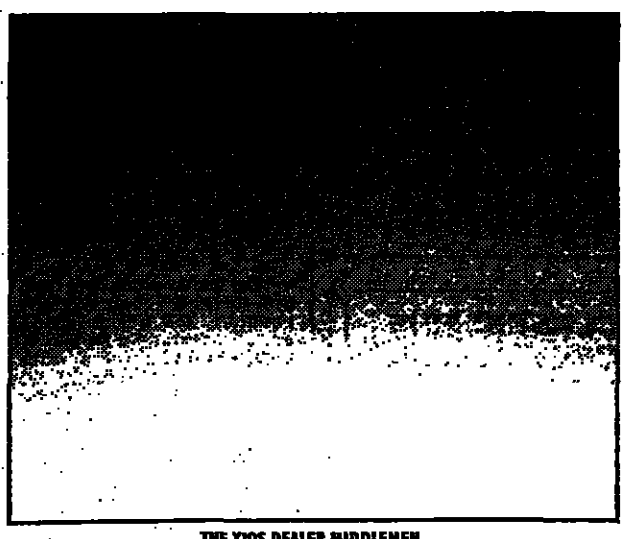
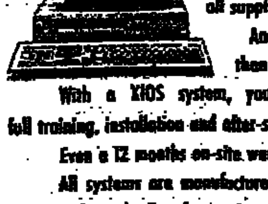
THE COMPAQ DEALER MIDDLEMEN.



THE XIOS DEALER MIDDLEMEN.



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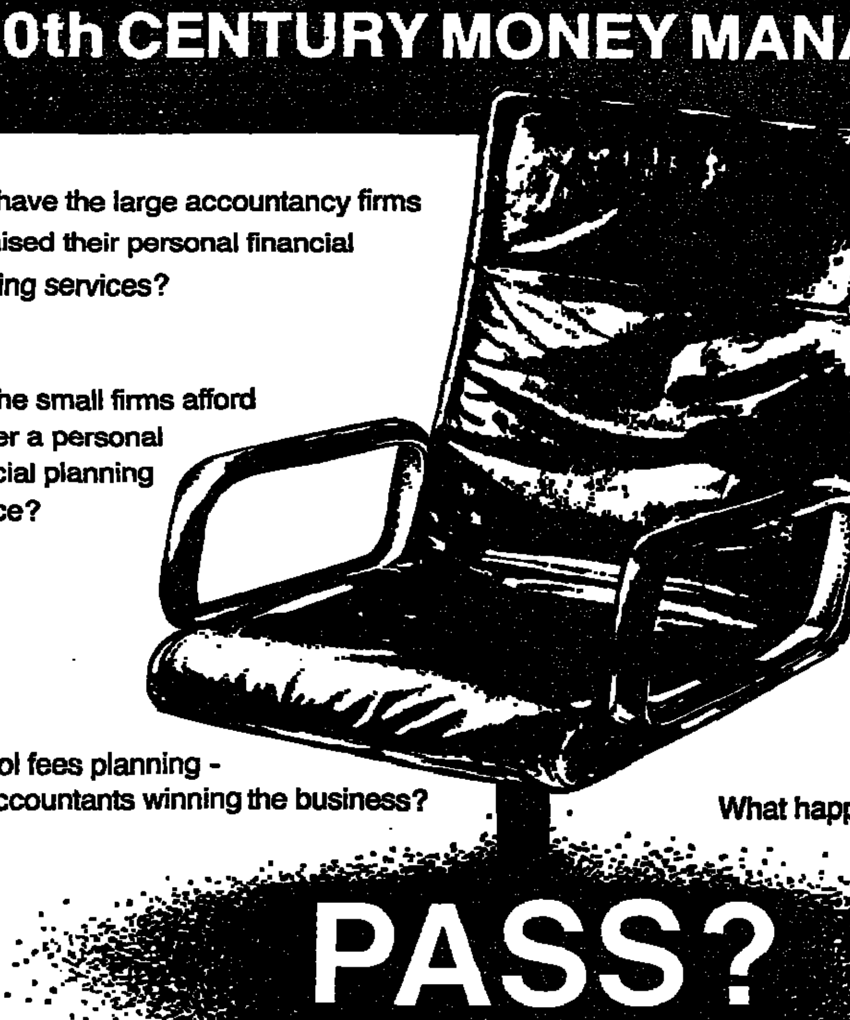

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FINANCIAL TIMES MAGAZINES

MANAGEMENT: The Growing Business

Family businesses in the US

Pitfalls on the way to the third generation

David Waller reports on some solutions for the longer term

Family businesses are very fragile.

True, some of the biggest companies in the world are owned or controlled by families, including Heinz and Mars in the US, Krupp in Germany and Bridgestone tyres in Japan. But statistics culled by Stoy Hayward, the accountancy firm, suggest that it is a very difficult task indeed to build an enduring family business.

These show that the average life-cycle of a family business is a mere 24 years – a figure which happens to coincide with the average tenure of the founder.

Only 30 per cent of family businesses reach the second generation and less than two thirds of these make it to the third generation. Only 13 per cent survive through the third generation.

These figures are based on the US – where a staggering 98 per cent plus of all corporations are owned or managed by families, employing 60 per cent of the workforce – but there is no reason why they should not apply to the UK as well.

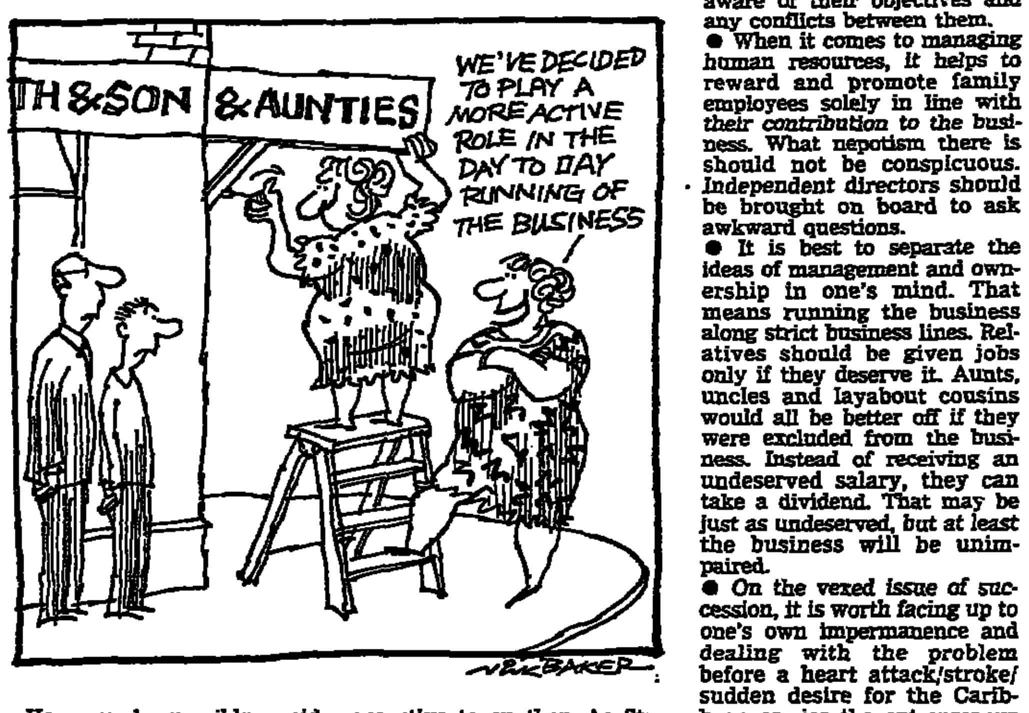
The report – entitled Staying the Course – points out the pitfalls to which the family business is particularly vulnerable, and comes up with a list of 20 basic life-prolonging rules.

The biggest problems are:

● An unwillingness to respond to change. Thus the son of the founder of a car showroom chain – who was thoroughly grounded in every aspect of the business – learnt that to please his father he had to do things in the same way as his father had. When he took the firm over, he maintained the status quo. But customers' expectations had changed and the firm failed.

● Family goals and commercial goals are at odds with one another. Take the following examples: two brothers are equal owners of the business they are about to pass on to their children. The problem is that while the son of one of the brothers is highly motivated, his cousin is a lazy dolt. How is it possible to plan a transition without causing a family rift?

Or, the shares in a business are owned by a Harvard-educated entrepreneur and his two ailing aunts who have become accustomed to living a life of luxury paid for by huge dividends from the firm. But the MBA knows that the only way forward for the company is to embark on a programme of capital expenditure which will mean paying low dividends for five years.



How can he possibly avoid his aunts' wrath?

Specific areas where a conflict between the family and the interests of the business may arise include management and compensation.

Many proprietors of family businesses are reluctant to recruit people brighter than they. They may dole out cash to members of the family in accordance with their needs – but not in accordance with their merits. This is disconcerting to the professional manager.

● There is a conflict between growth and ownership. Firms may turn down the opportunity to grow because the family is reluctant to dilute its ownership. Also, the willingness to take commercial risks may diminish with prosperity.

● Many family firms are unable to survive the process of succession from one chief executive to another. As Stoy Hayward puts it: "Few people find it easy to come to terms with their own mortality. For someone whose success has been driven by a powerful ego it is especially hard."

As son follows father into the business, archetypal, Oedipal dramas will play themselves out on the unusual stage of factory or corner shop. "It may well feel as if the son is killing off his father and taking away his mistress, the firm ... All too easily a cycle of mutual hurt and distrust can develop."

With problems like these, it is somewhat surprising that Stoy does not recommend a visit to the psychiatrist's chair. Family businesses wishing to be successful qua businesses should bear the following points in mind:

● It is wise to be outward-looking and willing to change. Collaboration with other companies should not be ruled out. Family managers should be encouraged to gain experience outside the family firm. Be extrovert rather than introvert.

● In attempting to reconcile business/family priorities, it helps to bring the problems out into the open, to establish a clear set of objectives for the firm, and to come up with a clear statement of policy on issues such as the employment of family members, succession and the goals of ownership. In essence managers in family businesses, like those in any other business, should be aware of their objectives and any conflicts between them.

● When it comes to managing human resources, it helps to reward and promote family employees solely in line with their contribution to the business. What nepotism there is should not be conspicuous. Independent directors should be brought on board to ask awkward questions.

● It is best to separate the ideas of management and ownership in one's mind. That means running the business along strict business lines. Relatives should be given jobs only if they deserve it. Aunts, uncles and layabout cousins would all be better off if they were excluded from the business. Instead of receiving an undeserved salary, they can take a dividend. That may be just as undeserved, but at least the business will be unimpaired.

● On the vexed issue of succession, it is worth facing up to one's own impermanence and dealing with the problem before a heart attack/stroke/sudden desire for the Caribbean carries the entrepreneur away. Talk to advisors and consider options as various as sale or the appointment of a professional manager.

● Assess the commercial implications of a non-commercial, emotional or moral decision.

Underlying Stoy Hayward's list of recommendations is the basic requirement that managers behave scrupulously and rationally. Unfortunately, few people behave rationally even in big public corporations clinically dedicated to the augmentation of earnings per share. It is even harder to behave rationally when those one works with are not simply colleagues but brothers, fathers and sons.

Staying the Course, Survival Characteristics of the Family-owned Business, available from Stoy Hayward's marketing department, 8 Baker Street, London W1M 1DA. Price £35.

Product liability

More fish caught by a wider net

A new guide points to the broadening of responsibility for faulty goods

Product liability claims can damage the health of a company. Over and above the financial burden of any award for damages, a company can incur other heavy legal expenses and also have to cope with attendant adverse publicity.

Smaller companies are inevitably at greater risk than larger ones because in extreme cases their continued existence can be imperilled. So it is of particular significance to them that the net of product liability legislation has been widened.

Generally, liability has been understood to relate to the technical aspects of a product. Now, as a newly-published guide* points out, "the most radical changes will occur in the commercial arrangements under which products are developed and supplied; in the way companies advertise, market, promote and generally present and support their products; and in the way companies respond to crises arising from safety concerns, disasters, product tampering and the like."

The guide has been published by the Incorporated Society of British Advertisers in association with the Product Liability Research Group. It deals with the scope and far-reaching implications of the EC legal regime for product liability and safety which has been implemented in the UK over the past 18 months by the 1987 Consumer Protection Act.

Under the new regime, says the guide, compensation is easier to obtain and liability can be more easily apportioned between several companies in the supply chain. But that means that, notwithstanding any contributory negligence by people who are injured by products, those in the production and marketing supply chain should share the risks because they are in the best position to carry, reduce or eliminate them.

Statistics show that of insurance claims settled in the past 30 years just 20 per cent could have been avoided by rectifying production faults. On the other hand 40 per cent could have been avoided by better product design and 40 per cent by better marketing and presentation (including warnings).

The need to get marketing and promotion right is highlighted by the fact that, according to the 1987 Act, a product is defective if it is not as safe as people generally are entitled to expect. Thus, a claimant for damages does not have to show that a defect was the fault of any one person or company. He must show only that "he has suffered injury or property damage because the producer's product was not as safe as people are entitled to expect."

As Robert Mackmurdo, the editor of the guide, points out, there is a clear acknowledgement in the new law that "the safety of a product often has more to do with people's expectations created through image promotion and benefit selling than with almost any other characteristic of a product."

In a series of chapters the guide explains why the law has changed and the differences it will make. It defines precisely what a "product" is under the new legislation. And it looks at the steps marketing and advertising executives can take to avoid product safety risks; at the way the law affects marketing and advertising activities; and, perhaps equally important, at what the marketing and publicity function can do when things go wrong.

Changes that have already taken place should be assessed in the context of other legal developments in the pipeline, says the guide. It points to the moves to allow characteristics of the US legal system into the UK:

■ Speedier resolution of personal injury claims with clearer formulae for calculation of compensation;

■ Higher levels of compensation to take account of pain and suffering and loss of quality of life;

■ More generous legal aid in personal injury cases;

■ Introduction of "class" actions where a single action can be brought on behalf of many clients;

■ Introduction of a contingency fee system (payment of claimants' lawyers by results) in personal injury cases.

Promoting Product Safety: Why Product Liability Laws are Important in Advertising and Marketing. Available from Publications Department, ISBA, 44 Hertford Street, London W1Y 8AE. Price £14.

In brief...

■ A Small Business Research Centre is to be established at Cambridge University. It is being funded by the Economic and Social Research Council as part of its small businesses initiative.

The centre will draw upon and develop recent theoretical work on industrial organisation, the behaviour of firms and organisational change, applying it to the study of the creation, growth and development of small firms.

Financial support for the three years to July 1992 will be provided by the SSRC, Barclays Bank, the Rural Development Commission, the UK Department of Employment and the Enterprise Directorate of the European Commission. The centre will aim to analyse: the constraints on small business birth, growth and survival; the role of inter-firm relationships and the effects of "industrial districts" on small firms' growth; and the role of acquisitions in their growth.

Policy proposals affecting small firms at local, national and European level will be evaluated.

These would include those affecting economic development, taxation, technology, the provision of financial and managerial resources and advice, together with training and policy on regulation and competition.

■ A further six titles have been added by National Westminster Bank to its Small Business Bookshelf.

Published in association with Pitman, the titles are: Book-keeping and Accounting, by Geoffrey Whitehead; Small Business Survival, by Roger Bennett; Retailing, by Gary Jones; Managing Growth, by Maureen Bennett; Franchising, by Peter Hall and Rob Dixon; and Exporting, by James W. Dudley.

This brings to ten the number of books the bank has published which are aimed at giving practical advice on specific areas of small business.

The other four are: Starting Up; A Business Plan; Selling; and Hiring and Firing. Each title is priced at £6.95.

■ Project North East, the Newcastle-based local enterprise agency, has increased its marketing support for small business clients. It has recruited two extra staff to enable it to help small firms to develop a marketing strategy and then give further support to implement that strategy.

Contact: Alison Stephens or Brian Rothery at 60 Grainger Street, Newcastle upon Tyne NE1 5JG. Tel: 091-261 7856.

■ The Social Charter proposed by the European Commission aimed at guaranteeing workers' rights to decent pay, set hours, insurance protection, free movement, union membership and collective bargaining has not met with enthusiasm among members of The Forum of Private Business, the lobby group.

The forum polled its members and the result was that more than two out of three members voted against the proposal. Twenty per cent supported the idea and 10 per cent had no opinion.

Members of the 14,690-strong forum will be polled again in coming months on detailed aspects of the Social Charter. Stan Mendham, the forum's chief executive, says the charter in itself appears "very innocuous. But if backed by legislation it could have major repercussions for small businesses. That is why we intend to monitor members' views as extensively as possible."

■ Barclays Bank is sponsoring the UK delegation to Europe's fourth International Congress of Young Entrepreneurs, which is being held at Randers, in Denmark, from September 1-3. The delegation, which includes eight young British entrepreneurs, is being led by the Liverpool-based Local Enterprise Agency, Into Business. Barclays has given the agency £5,000. The congress, called Young Business '89, is primarily a training event featuring, among other things, finance for growth.

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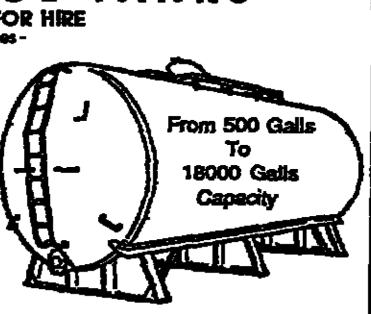

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UK fully listed property company with quoted US subsidiary development company seeks equity partner for residential development in Atlanta, Georgia.

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The major shareholders of a small fully quoted "Shell" company involved in engineering seek proposals from owners of profitable companies wishing to participate in a reverse takeover. Any business sector considered. Please provide last three years accounts when replying.

Write Box F9262, Financial Times, One Southwark Bridge, London SE1 9HL

FUNDS AVAILABLE

for expanding businesses and selected start-ups. Investors have funds and skills to invest. Send business plan to or

Contact: VCR, Boston Road, Henley, Oxon. RG9 1DY Tel. (0491) 579999

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On Commercial & Industrial Properties at prime rates 5/10 years. Interest only. Minimum loan £250,000.

Apply to: HIRSCH
Europe's leading Finance Consultants
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15 Berkeley Street, London W1
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N.Y.-London based marketing company invites enquiries from sales, marketing, and manufacturing interests.

Call NY 212 307 7246. or Fax 212 593 6293
Attention Mr. Gene Schull.

NATURAL BEAUTY PRODUCTS U.K. Cosmetics and toiletries manufacturer Overseas rights/licences available. Contact Alan Lowe (0858) Fax 50468. Tel: 768666

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CLEARANCE FORKLIFTS over 100 must go
ELEC - GAS - DIESEL - SIDELOADERS - REACH TRUCKS

Nene Group having moved to their new factory in DAVENTRY are anxious to find new owners for these trucks and are willing to offer a first class deal at low prices.

ELECTRICS from £3500
GAS from £4250
DIESELS from £4750

example : Caterpilla 3 TON capacity 2 years old and in superb condition on offer at only £6500 each. There are only 5 available of this model.

another example : 2 TON REACH TRUCKS at only £4800 each

Telephone: 0327-300436, ask for Tim Pearson, Bill Mead, Paul Fagan

USED POWER PRESSES FOR AUTOMOTIVE AND TRUCK COMPONENTS

2 - Clearing D/A 800 Ton, 96"x60" bed, 12 SPM
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1 - Kieserling 400 Ton, 138"x78" bed, Blanking Line.
1 - Schuler 1600 Ton, Transfer Press, 14 Stations.
1 - Danly 1250 Ton, Transfer Press.

Machines available in Europe and USA. Have been previously with major Car/Truck Plants. Can be supplied with Guarantees, Delivered, Installed and Commissioned Worldwide.

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UK LUXURY HOTELS

We have access to a number of prestigious hotels which may be available to the right buyer.

Principals only should forward details of their requirements to Box F9136, Financial Times, One Southwark Bridge, London SE1 9HL

AIRCRAFT FOR SALE

Corporate owner offers

FOR SALE
GULFSTREAM GIII
Executive Jet Aircraft

TSN: 3400 Hours Year: 1982
European Base
For full specification apply to Box no: F9126
Financial Times
1 Southwark Bridge SE1 9HL
Principals only

BUSINESS SERVICES

BUSINESSES FOR SALE

GE–KA KNITTED PRODUCTS LIMITED
(in Receivership)

The Business and Assets of this long established versatile knitted products manufacturer are offered for sale by the Joint Administrative Receivers.

- 22,000 sq ft. of leasehold factory and offices in Leicester
- Currently employs approximately 50 people
- Turnover of approximately £1 million in the year to 31 December 1988
- The comprehensive plant includes:
  Four electronic Jacquard flat bed knitting machines together with computerised pattern preparation equipment, narrow diameter single cylinder Jacquard knitting machines for the production of hats and scarves, ancilliary making-up plant
- Impressive customer list

For further details please contact J.E Doleman

Touche Ross

St John's House, East Street, Leicester LE1 6NG. Telephone: (0533) 543598. Fax: (0533) 552055.
Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

WELDING SUPPLIES COMPANY

Profitable and expanding Welding Supplies Company. Trading locally with end users and nationally with wholesale outlets. Excellent customer base. Good franchise agencies.

Write Box F9148, Financial Times, One Southwark Bridge, London SE1 9HL

COMPANY FOR SALE

North West based design and build company. All work undertaken on a contract basis and T/O is approximately £3.5 million. The company has an excellent reputation and particularly in the refurbishment of pubs and restaurants. MD wishes to pursue other interests. Projected profits £400,000.

Write to Box F9146, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE

Well established decorative lighting company. This quality lighting manufacturer and wholesaler is based in the south.

Please write to Box F9258, Financial Times, One Southwark Bridge, London SE1 9HL

SELF-DRIVE CAR BUSINESS FOR SALE

Located in London with excellent parking, office and cleaning facilities offering enormous potential.

Write Box F9131, Financial Times, One Southwark Bridge, London SE1 9HL

SMALL UNIT SHOP FITTING BUSINESS FOR SALE

with established trade name built up over 30 years.

Write Box F9138, Financial Times, One Southwark Bridge, London SE1 9HL

REGISTER OF ACCOUNTANCY practices for sale. GRFs from 50k - 200k. Across the U.K. Fully confidential buying and selling service by partnership est. 1979. Write Box H4860, Financial Times, One Southwark Bridge, London SE1 9HL

M.C.P. Building Supplies Limited

The Joint Administrators offer for sale as a going concern the business and assets if this substantial builders merchants with operations throughout the Midlands, East Anglia, London, West Country and Wales.

- Annual turnover of approximately £50m
- Network of 22 branches with experienced managers and staff
- Concrete block manufacturing
- Incorporating both heavy and light side operations

Assets available include freehold and leasehold properties, stocks, plant & machinery, fixtures and fittings.

For further information please contact the joint administrators:
Michael A Jordan and John F Powell
Cork Gully
43 Temple Row
Birmingham
B2 5JT
Telephone: 021 236 9966 ext 3216
Fax: 021 200 4040
Telex: 337892

C&L | Cork Gully

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

FOR SALE

Our client, Memphis S.A.E. Steel Construction Co. Port Said, Egypt, is offered for sale.

The site is situated in the Free Zone area offering good working facilities:

- 9,000m² floor space concrete slabs of which 1,500m² covered.
- workshop with annual capacity of approx. 5,000 tonnes.
- separate office building annex guest house.
- separate canteen annex prayer room.

The workshop accommodates adequate plant and equipment in good working condition.

The company has been established and furbished by a Dutch steel construction company.

For detailed information:

Arthur Andersen Shawki & Co. (Ref. N1-01)
16 Adly Street, P.O. Box 2095
Cairo, EGYPT

Tel. Cairo 391.8666/391.7229/391.7986
Telex 92195/93649 AASCO UN
Facsimile Cairo 391.0760

ARTHUR ANDERSEN SHAWKI &CO

SPECIALIST PRESSWORK MANUFACTURER

Business and Assets for sale as a going concern

- Based in Solihull West Midlands close to the M42, Homer Engineering and Plastics Limited is engaged in the design and production of precision deep drawn pressings, welding and fabrication of all types of material.
- Turnover approximately £6 million with a skilled workforce of 160.
- Established customers in the automotive and domestic appliance industries.
- Premises comprise 75,000 sq. ft. of leasehold factory and offices.
- Plant, machinery and stock amounting to in excess of £1 million.

ROBSON RHODES

For further details please contact the joint administrative receivers:
Ken Jones or Andrew Menzies
Centre City Tower, 7 Hill Street, Birmingham B5 4UU
Telephone: 021 643 1936 Fax: 021 643 4993
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

MEYERFORD LIMITED
T/AS TIMESAVERS & ARSIWALLA FROZEN FOODS

The Administrative Receiver has for sale the business and assets of the above company. The principal activity of the company is the manufacturer and distribution of Indian style frozen foods.

Main assets are:-
- Turnover approx. £300,00 p.a.
- Modern freehold premises approx 2500 sq ft, London NW10
- Plant and Machinery etc.
- Experienced staff available if required.

For further particulars please contact the Administrative Receiver: - Mr S K Single FCA, SINGLA & COMPANY, Chartered Accountants, 49 Queen Victoria Street, London EC4N 4SA Telephone 01-236 2184 Fax 01-236 4944
Single & Company is authorised by the Institute of Chartered Accountants in England & Wales to carry on investment business.

LEISURE MARINE PUBLISHING

Publishing Group wishes to dispose of its well known leisure marine titles. Sale to include name/logo, artwork, advertising revenue for next editions.

Written enquiries write to Box F9143, Financial Times, One Southwark Bridge, London SE1 9HL

Established Boat Building Company

building G.R.P. Sail Catamarans ranging from 24 to ocean going 37 feet. Turnover 1988 close to £1 million. Well known internationally.

For sale as going concern.

Fax (0752) 823555
Tel (0752) 822867

LEISURE PRODUCTS
Freewheeler Leisure Products Limited
(In Receivership)

The Joint Administrative Receivers offer for sale the business assets of a company established for 12 years in the importation and distribution of leisure products in the toy and model trade, with established trade marks. Present range of products includes own brand roller skates, skateboards and well known brand of model rockets from the USA. Potential turnover £300,000/£400,000. Customer list of approximately 300 accounts. Sales Agents cover whole of UK.

For further details contact the Joint Administrative Receiver C R Ashurst or J W Powell at

37 Frederick Place
Brighton
East Sussex BN1 4EA
Tel. 0273 206788
Fax 0273 820901

NEVILLE RUSSELL
Chartered Accountants

TRANSKEI DEVELOPMENT CORPORATION UMTATA, REPUBLIC OF TRANSKEI, SOUTHERN AFRICA

- In furthering its privatisation objectives -

OFFERS FOR SALE

Its Butterworth, Transkei based Fish Fly Tieing Business "HIGH FLIES (PTY) LIMITED"

HIGH FLIES produce the complete angling lure. Their quality product has established markets in Japan, United Kingdom, France, Germany and South Africa.
Modern accommodation and a trained staff make this going concern an attractive proposition for the Entrepreneur with marketing ingenuity and the right outlets. Purchase outlay via Financial Rand and income in hard currencies makes this a no lose opportunity.

FOR THIS AND OTHER INVESTMENT OPPORTUNITIES PHONE FAX OR TELEX

ARTHUR O'CONNOR
MARKETING CONSULTANT
TRANSKEI DEVELOPMENT CORPORATION
UMTATA, REPUBLIC OF TRANSKEI.
PHONE:(27) (471) 257 51 FAX:(27) (471) 23548 TELEX:711

TRANSKEI DEVELOPMENT CORPORATION UMTATA, REPUBLIC OF TRANSKEI SOUTHERN AFRICA

- in furthering its privatisation objectives and in the interests of large scale tourist development -

OFFERS FOR SALE

(i) Two of its most popular Sea-Front Hotels :-
"K O B B I N N"
AND
"T H E H A V E N"
AND
(ii) Its renowned and self-catering chalets:-
"S E C O N D B E A C H R E S O R T"
at Port St Johns

"K O B B I N N" has 84 beds arranged in Africa Style Thatched Rondavels complete with all modern conveniences.
The hotel overlooks The Indian Ocean at the mouth of The Qora River 140 Kilometres from Umtata. It has a grass landing strip for light aircraft, is fully licensed, enjoys high in season occupancy rates which could be sustained throughout the year with effective marketing and is ripe for further development to a large style hotel.

• • • • • • • • • • • •

"T H E H A V E N", set inside Cwebe Nature Reserve, has 70 Beds in thatched Africa style chalets all with modern conveniences.
The hotel overlooks the Indian Ocean at the mouth of The Bashee River and offers a rare opportunity for enterprising hoteliers to acquire a site within Transkei's remote and exclusive nature reserve - host to exotic flora and game.
With golf course, swimming pool, tennis courts, river and sea fishing, many kilometres of empty beaches and lagoons the Haven is a holidaymaker's paradise.
The Hotel is well known to the Southern African Tourist market and has high in season occupancy rates which will effective marketing could be sustained throughout the year. With plenty of space for development. The Haven has the potential to become the mecca of tourism in Sub Saharan Africa.

• • • • • • • • • • • •

S E C O N D B E A C H R E S O R T is a camping site with 38 thatched African-style self-catering units each with 4/5/6 Beds. Located on the Indian Ocean at fashionable Port St Johns - Transkei's most idyllic tourist village - Second Beach's *greatest potential is as a prime site for a large scale Hotel Development.*

Set in a secluded wooded canyon with its own river lagoon the area is at once private and has immediate access to a golden sandy beach overlooking Port St John's magnificent harbour.

Port St Johns has an all weather tarmac airport capable of accommodating the larger Dornier aircraft. There's an all weather tarmac road from Umtata to within about 20 kilometres of the village. The remainder is demarcated for priority completion.

Already an Ibiza for the fun loving young and trendy Port St Johns cannot provide sufficient accommodation for all who clamour to go there. With golf course, game fishing, sea food restaurants,a shore laden with crustacea and a natural harbour for yachting the area is preparing to relinquish its unique beauty to an immediate and inevitable tourist onslaught.

- All properties are offered with free-hold title,
- TDC wishes to retain a minority 25% shareholding in each venture
  Interested parties must establish
  (i) Financial Bona Fides,
  (ii) Hotel Management Expertise and
  (iii) Be prepared to present their Development Plans to TDC,
- *Independent valuers will be appointed,*
- Closing date for applicants 30-9-1989

For further hotel information apply
Mr M B Damane
Transkei Development Corporation
Private Bag X 5028
Umtata, TRANSKEI
Telephone: (27) (471) 23680 Fax: (27) (471) 23548 Telex: 711

For other investment information call:
ARTHUR O'CONNOR
MARKETING CONSULTANT
TRANSKEI DEVELOPMENT CORPORATION
UMTATA, REPUBLIC OF TRANSKEI
PHONE: (27) (471) 25751 FAX: (27) (471) 23548

Burke Publishing Company Limited
(In Receivership)

London & Loddon, Norfolk

Long established trade and educational publishing house
Principal features are:
- approx. 400 current titles
- detailed customer lists, including UK schools and other educational establishments
- current estimated annual turnover £1 million; sales worldwide
- leasehold distribution facility at Loddon
- leasehold sales and editorial facility - London
- 30 employees

For further details please contact the Joint Administrative Receivers:
Maurice Withall and Andrew Conquest, Grant Thornton, Crown House, Crown Street, Ipswich, Suffolk IP1 3HS.
Tel: 0473 221491
Fax: 0473 230304

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Prestige Car Showroom
South Manchester
Freehold £375,000 including Goodwill

High quality second hand sales generating a turnover approaching 1 million annually.
Business established 24 years having exceptional customer loyalty.
Superb up to date Showroom and Offices exceeding 1,8000 sq.ft. with adjacent 45' forecourt and additional rented sales area for 12 cars.

BLACK HORSE COMMERCIAL BURLING
TEL 0625 582805

Coach Business
Greater Manchester Area.

Est. 17 years 14 coaches, 14 international licences, 6 licensed routes Contract work and hire. Net profit 87 33k 88 50k 89 60k. Projected profit 89/9 70/80k. 89/9 Contracts Guarantee 126k income hire income averaging 3k per week. Scope for *expansion. Premises on Lease. Offers in the region* of 250k.

Write Box F9145, Financial Times, One Southwark Bridge, London SE1 9HL

DESIGN ENGINEERING CONSULTANCY FOR SALE
(West Midlands)

Old established Mechanical Engineering Consultancy, with own small design team specialising in medium to heavy engineering projects, for sale at realistic *price. The business can be transferred to a new location or continued in* present modern design office which can be purchased or leased. Ideal to add on to existing design agency or to strengthen design department of engineering company.

Write Box F9128, Financial Times, One Southwark Bridge, London SE1 9HL

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- Buy now before government approval is required.
- High Growth Industry - New Technology.
- Excellent sources for products.
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- Excellent relationship with clients.
- Expanded Sales Team.
- Principals only - No Brokers.

Write Box F9080, Financial Times, One Southwark Bridge, London SE1 9HL

The Joint Receivers of Andrew Stewart (Woollens) Limited

Offer for sale the following manufacturing units:
- GALASHIELS - Weaving mill and retail outlet
- JEDBURGH - Knitting factory

Offers are invited for all or any part of the above business assets.
An early closing date is anticipated.

Offers in writing to:
Alastair W. T. White & D. Donald McGrother, Joint Receivers:
Grant Thornton,
112 West George Street,
Glasgow G2 1QF.
Tel: 041-332 7484
Telex: 777726
Fax: 041-333 0581

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ENGINEERING BUSINESS/LEISURE PRODUCTS INTERNATIONAL BRAND NAME

Non-core activity. Manufacturing company in West Midlands with significant export activity and proven product range. Current T/O £1.6 million. Capital employed c. £650,000. ROC 25%+. Leased premises. Skilled workforce of 60. Good technical skills but would benefit from marketing/general management input to enhance operation. Offers in excess of £1.2 million.

Principals only Write Box F9142, Financial Times, One Southwark Bridge, London SE1 9HL

SURVEYING, DIGITAL MAPPING. G.I.S.

Leading professional Land Surveying Company with extensive experience in CAD, Digitising, G.I.S., and Databases for management efficiency, seeks expansion by merger with or acquisition by dynamic Service Sector Company, preferably with established interest in I.T. Turnover in excess of £1.0 million with healthy profits.

Principals only please Write Box F9133, Financial Times, One Southwark Bridge, London SE1 9HL

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A unique opportunity to enter this rapidly expanding market

- Top quality product
- Impressive client base from the racing and bloodstock world
- Modern well equipped freehold factory or lease available
- Annual turnover of approx £3.4 million
- Gross profit 48%
- Opportunity to expand products and markets
- Guide price £3.6 million

For further information please FAX Nick Hopkin, Coopers & Lybrand, The Atrium, St. Georges Street, Norwich NR3 1AG. Fax (0603) 631060.
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C&L

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Sell Companies Nationwide

SELLERS and BUYERS
Contact in confidence:
DIVERCO LTD.
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Tel: 0905 22303

United Panels Limited
(In Receivership)

Warrington

The above company has developed a manufacturing process for the production of high quality glass fibre reinforced plastic panels for the vehicle body and trailer market:
- Potential capacity of 20,000 x 42' panels
- Potential turnover of £10-12M p.a.
- Bespoke processing plant and equipment
- Dry freight and insulated panel capability
- Manufactured under licence

For further details please contact the Joint Administrative Receivers:
Allan Griffiths and Malcolm Shierson, Grant Thornton, Heron House, Albert Square, Manchester M2 5HD.
Tel: 061-834 5414
Fax: 061-832 6042

Grant Thornton

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ENGINEERING COMPANY FOR SALE

Large Public Group is seeking to rationalise a recent acquisition, and wishes to dispose of a £3 million per annum turnover engineering company.
The company manufactures and sells engineering products into the bulk materials handling industry, and has a thriving attendant spares and servicing business.
Although it would be preferable to sell the company as a whole, the possibility of splitting the activities (e.g. manufacturing, spares and servicing etc.) would not be discounted.

Please reply in confidence to Box F9053, Financial Times, One Southwark Bridge, London SE1 9HL.

Long Established Plant Hire/Sales and Service Company. Situated on prime site, M1 Mortorway Junction.

Turnover 1.6 million. Buildings 10,000 sq.ft., including showroom, offices and workshops, plus yard. Available lease/purchase. Good profitability.

All enquiries in strictest of confidence write to Box F9144, Financial Times, One Southwark Bridge, London SE1 9HL.
PRINCIPALS ONLY.

TABLEWARE MANUFACTURING COMPANY FOR SALE

Established 60 years: Midlands location.
Turnover c£1,000,000 p.a. with considerable long term growth prospects.
Seriously interested principals only.

Please write to Box F9130, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE

Precision Engineering Company specialising in bolsters and mould base units for the plastic injection moulding industry. Turnover £800k p.a. approx. Located South East England.

Write to Box F9135, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESS FOR SALE

Due to our clients envisaged retirement, a substantial North West Midlands container manufacturing and metal fabrication company is for sale as a going concern.

Briefly comprising 1.5 acres of freehold land & buildings including in excess of 10,000 square feet of fully equipped workshops.

Write to Box F9141, Financial Times, One Southwark Bridge, London SE1 9HL

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(non-estate agency)

Established 25 years. Offices located in M.11 corridor. Turnover c.£400,000 pa with considerable long-term growth prospects. Reason for sale founding partner seeks early retirement, but remaining partners willing to continue. Principals only, please write to:- Box F9082 Financial Times, One Southwark Bridge, LONDON, SE1 9HL.

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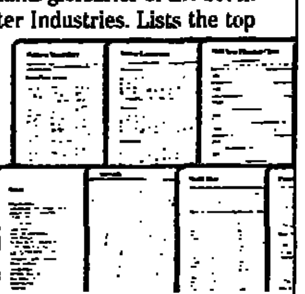

Business Travel. Factual information on over 55 countries saves you tedious searches elsewhere and increases your effectiveness.

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Indexed Address/Telephone Directory – with international dialling codes.

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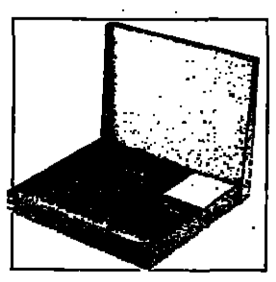

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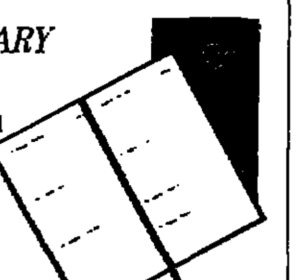

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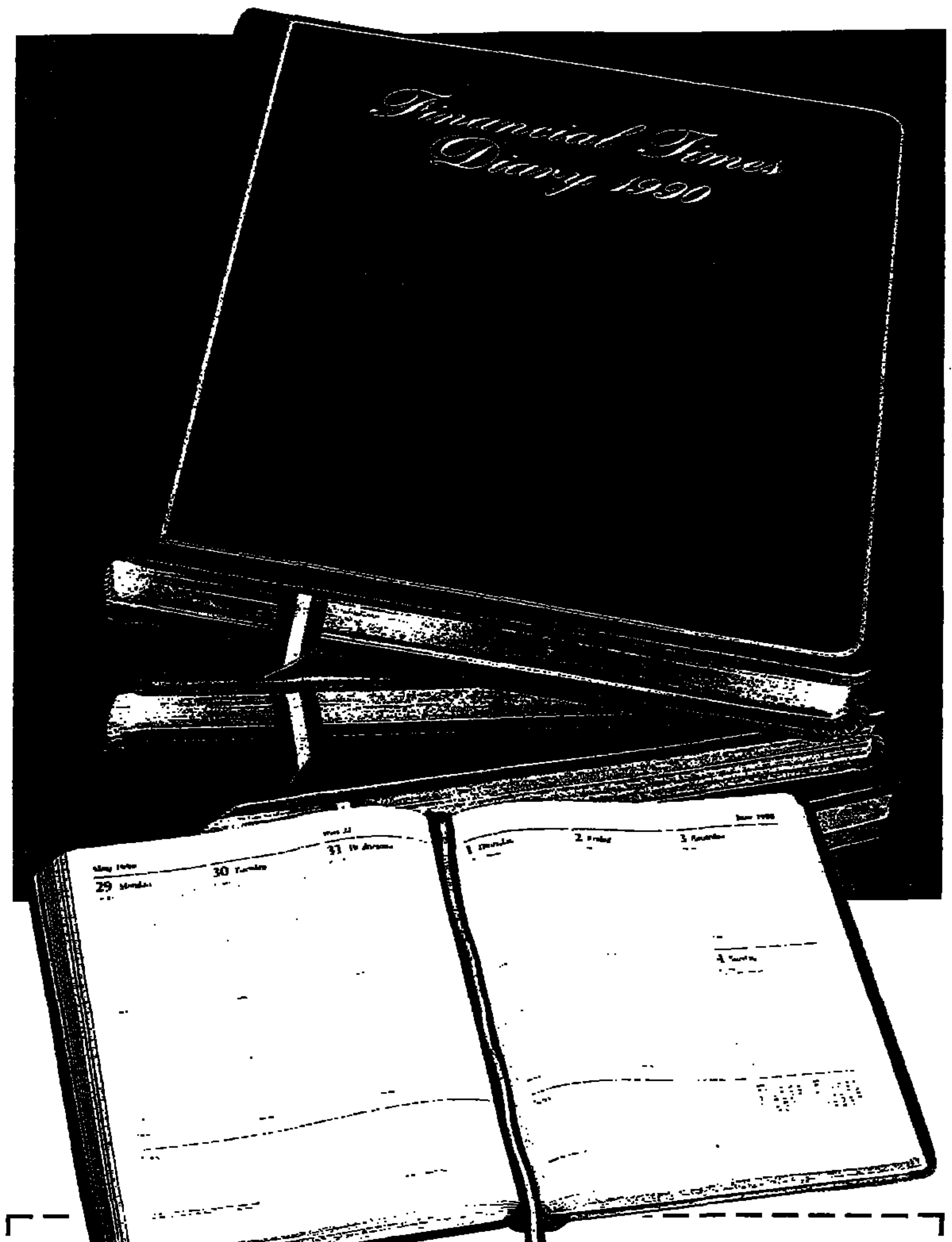

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*The prices exclude VAT and despatch costs. We will calculate the most economical way of despatching your goods, and add this charge (plus VAT where applicable) to your invoice.

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CS	Chairman's Set (Desk + Pocket) brown leather	109.94	105.70	83.00	81.19	77.59	74.88	67.68	
DL	Desk Diary, black leather	57.39	58.00	43.66	42.71	40.81	39.39	35.59	
DB	Desk Diary, burgundy bonded leather	37.61	40.60	27.42	27.21	26.00	25.10	22.68	
DC	Desk Diary, black leathercloth	21.05	26.35	14.81	14.49	13.84	13.36	12.07	
DP	FT Pink Desk Diary, black bonded leather	25 76	30.50	18 67	18.27	17.45	16.85	15.22	
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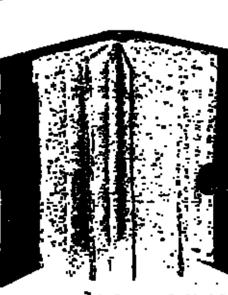

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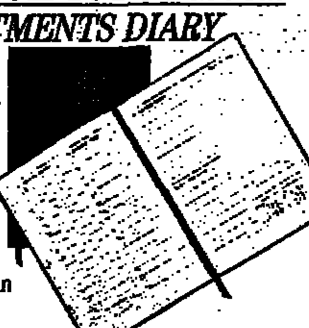

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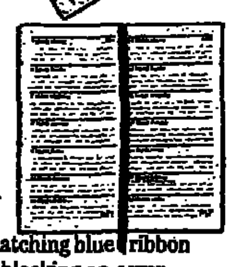

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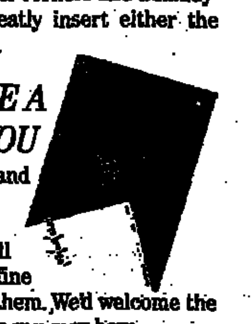

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Jochen Kowalski

Alastair Muir

Orpheus und Euridike

COVENT GARDEN

Gluck's is the last of the three operas brought to the Royal Opera House for us by the Komische Oper Berlin. Like their *Bartered Bride* it is produced by Harry Kupfer, but unlike that jolly Smetana piece *Orfeo* has been preceded by advance reports that it is "controversial," and in some quarters even loathed. In the event the staging proved not to be tendentious at all, just honestly reductive. No classical trappings, no mythology, no saving miracles: for this modern Eurydice, dying in an urban accident, stays well and truly dead, and everything afterward belongs to the anguished dream Orpheus has under hospital sedatives. Berlioz's *Symphonie Fantastique* still counts, of course, as a modern work . . .

It is all highly self-conscious, and perhaps easy to hate for that reason (Gluck's ideal of simple naturalness is a long way off); and yet nothing in this modern re-setting goes against the grain of the opera's leading passions. Visually it is stark but extremely handsome, dominated by a huge pair of revolving panels – sometimes transparent, sometimes reflective – which pick up the photographic images, mostly grim cityscapes, cast upon walls at side and back. In a notoriously static opera, I found the perpetually altering vista far more of a relief than a distraction.

The lovers are present-day kids in jeans and such, and Orfeo wields an electric guitar. When Kupfer throws in a photo-montage of pop-minstrels near the end, he surely means not to travesty the legend but to suggest that these *are* our licensed actors-out of extreme passions now: which is not obviously false. Jochen Kowalski's casual gear doesn't inhibit his Orfeo from running the whole gamut of wild-eyed Fritz Langery, though his cultivated, soft-grained counter-tenor – almost too well matched with the gentle timbre of Alexandra Coku's Eurydice – has a narrower dramatic range. The interventions of the friendly little god Amor, sung brightly and strongly by Christiane Dertel from one side of the pit, are represented onstage by a small boy who wanders meaningfully on and off bouncing a ball.

Firmly trimmed (and without ballet, though the mysterious *figurants* for the Blessed Spirits look effective), this *Orfeo* plays without an interval for eighty minutes, in German with surtitles. Kupfer's intentions, at least, seem to me unimpeachable, both thoughtful and creditably "popular." Hartmut Haenchen deals crisply with Gluck's score, very much up-tempo but observant of period graces. If the emotional temperature doesn't rise above a certain point, that has less to do with Kupfer's production than with the histrionic restraint of the principal voices – who offer other, temperate pleasures. I found the performance thoroughly engrossing, its endeavour to come to modern terms with Gluck's masterpiece perceptive, brave and bracing.

David Murray

Continental customs absorbed by the Scots

Mary Rose Beaumont reviews the current exhibition at the Gallery of Modern Art, Edinburgh

The visual arts seem to be distancing themselves more than usual this year from the main body of the Edinburgh Festival. The National Portrait Gallery has already opened with *Patrons and Painters: Art in Scotland 1650-1760* and *William Adam: A Tercentary Exhibition*, both of which continue until October 8. *El Greco: Mystery and Illumination* at the National Gallery of Scotland continues until October 15.

The Gallery of Modern Art has stolen even more of a march with *Scottish Art since 1900*, which opened in June and continues until September 24. This exhibition magnificently redresses the balance between English and Scottish art, which latter was so shamefully neglected in the so-called *British Art in the 20th Century* at the Royal Academy in 1987. Only Alan Davie, Eduardo Paolozzi, William Turnbull, Mark Boyle and Bruce McLean, all resident in England, made it to the walls of the R.A.

It seemed extraordinary then that the Colourists – F.C.B. Cadell, Leslie Hunter, S.J. Peploe and J.D. Fergusson – were not represented. Now, seeing the full richness and variety of their work, it seems even more so. Edinburgh-based, they spent a considerable amount of time in France studying Post-Impressionism and Fauve painting, whose lessons they thoroughly absorbed, to a demonstrably greater degree than their English counterparts of the Bloomsbury group. Their paintings, whether of landscapes, figures or still lives, are formally clearly structured and executed in high-keyed colours.

An eccentric but engaging figure is Stanley Cursiter who, for a brief period in 1913, painted an extraordinary series of Cubo-Futurist paintings in response to the Futurist exhibition in London in 1912, subsequently returning to paint landscapes in his native Orkney. Cursiter was also director of the National Gallery of Scotland, and in 1940 he commissioned a young architect to design a Gallery of Modern Art for Scotland. A model of this crisply functional building is in the exhibition, made by Cursiter himself. Unfortunately his vision was never realised.

Scottish Art since 1900: Realism and Surrealism in 'Portrait Group,' c 1942, by James Cowie

The Edinburgh School is known primarily for its colour and free-flowing line, whereas Glasgow painters have always leaned more towards realism, augmented by a thorough grounding in draughtsmanship. Charles Rennie Mackintosh, architect of the remarkable Glasgow School of Art, was also a furniture designer and painter of topographical watercolours. Mackintosh's revolving bookcase, 1904, still in its original white-painted state, is a brilliant example of his geometricising style, wholly architectural yet organic, with suggestions of a branching tree terminating in little squares of purple glass like blossoms.

Between the wars Glasgow artists developed an almost photo-realist style. James McIntosh Patrick painted sharply focussed landscapes which owed much to his admiration for quattrocento artists. James Cowie's "Portrait Group" is a curious amalgam of Realism and Surrealism, ostensibly a straightforwardly painted group of psychologically distanced people in a landscape, but with curious swathes of wind-blown drapery depending from the top of the picture, and an inexplicable horse and rider in the distance which might have strayed out of a Renaissance painting of St. George and the Dragon.

After World War II it was all change. The influence of Paris waned and that of America waxed. Abstract Expressionism influenced Davie, and Paolozzi was affected by consumerism and popular imagery, although the two Roberts, Colquhoun and MacBryde, continued to paint under the sway of Picasso. Northern Europe took over as the main focus of attention for young Scottish artists in the 1960s, when John Bellany and Alexander Moffat rebelled against the traditional *belle peinture* of the Edinburgh School. Bellany's paintings are both realist and symbolic, indebted to the deeply felt work of Grunewald, Munch and Beckmann, as well as to his own early years in a fishing village.

The final part of the exhibition consists of paintings by those artists who have come to prominence during the 1980s, many of them emanating from the Glasgow School of Art. The work of Peter Howson and Ken Currie is figurative and realist, concerned with the social ills of the underprivileged people of Glasgow. Steven Campbell's and Adrian Wiszniewski's paintings are altogether more jokey and lighthearted, albeit with a vein of nostalgia. Stephen Conroy, at 25 the youngest artist in the exhibition, returns to a classical mode, with Seurat, Degas and Sickert as obvious progenitors. His frieze-like placing of the figures, which seem to be frozen in time, owe much, however,to the example of James Cowie.

By no means all the young painters come from Glasgow. The painterly Edinburgh tradition is still very much alive in the work of June Redfern and Ian Hughes, whose figure paintings tend towards the symbolic humanism of Bellany. The Colourists have their lineal descendants in Caroline McNairn and Fionna Carlisle, whose work is indebted primarily to the hedonistic paintings of Matisse.

The portico and extensive grounds of the Gallery of Modern Art have been used for site-specific sculpture created especially for the exhibition. One is greeted at the entrance by Bruce McLean's cheerful banners, and by a sculpture of glass bottles, water, dye and emulsion paint by David Mach, with the enigmatic title "Dying for it."

To experience the full sweep of nearly a century of Scottish art is to realise that it has always been strong, and that its links with the Continent of Europe are much closer than those of English art, from which it is entirely separate.

Two Cimarosa operas

BUXTON FESTIVAL

The opera house at Buxton – a marvel of small theatre design, its cream-and-gold interior most beautifully restored – is one of the few places where one would be happy to see almost any opera. That the qualification is necessary at all is only because the prospect of two operas by Cimarosa at this year's festival was not in advance very enticing.

Like almost every other festival the world wide, Buxton decided to mark the 1789 bicentenary with a revolutionary theme. Their choice fell on "A Tale of Two Cities", the twin cities of London and Paris represented by Cimarosa's *L'italiana in Londra* and *Il pittor parigino* respectively, thus allowing Buxton to celebrate the momentous year without a note of French music being heard. A sly achievement.

Both operas are claimed by the Festival to be first British performances, though that is hardly surprising given the lack of attention accorded to this composer. There is what one might describe as a "Cimarosa problem." No sooner has one settled down to two or three hours of his vivacious but empty music than one starts to wonder what might have been made of the same material by Mozart, his nearly exact contemporary.

The comparison, though, is not entirely fair. Cimarosa was an Italian composer, writing in an unadulterated Italian style, and it might well be that his operas would curry more favour if they were looked upon as a staging-post on the way to the Rossini comedies, whose theatrical flair they do to some degree share.

As with the Rossini, there is also some uncertainty as to how they should be presented to a present-day audience. Malcolm Fraser, who produced *Il pittor parigino* for Buxton, conscientiously aimed to walk the tightrope over the stylistic whirlpool that awaits the producer of any Italian classical comedy and ended up giving us a feeble evening that was neither one thing nor the other; while his counterpart, Jamie Hayes, cast caution to the winds and jumped right in.

His *L'italiana in Londra* was set in a comic cut-out London. In front of a picturesque view of St Paul's (designed by Roger Butlin) the locals were portrayed scampering about between showers, brollies in hand, doing their best to avoid Jack the Ripper, who put in a cameo appearance through a dense pea-souper. All manner of national foibles were lampooned exhaustively in the kind of raucous comic style that one knows from the outset will "Carry On," and on, and on.

Joyce Guyer in 'L'Italiana in Londra'

In the case of the Neapolitan fop Don Polidoro, full of pasta and mincing manners, it certainly went too far, though Andrew Shore carried off his assignment with some aplomb. Christopher Gillett's boring Dutchman in thick clogs was also a grotesque caricature, as were to a lesser extent Susan Bullock's sort of Cockney mirror-image Despina, railing against men, swigging gin rather than hot chocolate, and the upstanding Milord Arespingh of Steven Page. Only the heroine Livia, sung by Joyce Guyer, escaped entirely and her role called for a more consistent vocal beauty.

The trouble is that, however much one reasoned that the show was a travesty of the classical style, it did give the audience a lot of laughs and had been put together with genuine theatrical flair. *Il pittor parigino*, lamed by a teeth-gratingly awful rhyming translation, returned us to the usual fusty 18th-century characters and apologetic forays into humour that arguably do Cimarosa a greater disservice.

Fortunately the score is of a considerably higher standard. The orchestral accompaniments are more intricate and the structure of the finales shows the composer expending a much increased degree of craftsmanship. For the singers there are real vocal parts, the florid arias given to the central pair meeting with due brilliance of execution from Claire Daniels and Alasdair Elliott, the latter having to hit a couple of top D's in what was virtually an audition for the tenor role in *I Puritani*.

The singing on this second evening was in any case of a broadly higher standard, with the tenor Mark Curtis and baritone Gordon Sandison also making a positive impact. A shame that Deborah Rees was ill and had to mime her part to Jane Webster's voice in the pit. Another withdrawal brought us Michael Rosewell in the pit, leading the Manchester Camerata with an ebullience that make an effective contrast after Anthony Hose's deeper, more measured style in *L'italiana*. Some plus marks for both evenings, but let us hope for a change from Cimarosa next year.

Richard Fairman

Double Prom

RADIO 3

For some years now, the BBC has liked to tuck two Prom concerts into the odd evening: usually a big one in the Albert Hall followed by one for lesser forces, perhaps somewhere else in Kensington. Sometimes the programmes are linked, so that if if you find the first tempting you'll feel morally bound to trek off to the second too. Friday's pairing was different; it would be interesting to know how many of the audience for John Blow's *Venus and Adonis* at St. Paul's, Knightsbridge had come straight from the Bournemouth Symphony's early-Mahler-to-late-Ravel concert.

The latter was very much in the hands of Bournemouth's young Principal Conductor Andrew Litton, for he was also the soloist in Ravel's (two-hand) Concerto in G. The orchestra began with Elgar's *In the South*, winningly fresh and buoyant – no phlegm or flab: lively stylishness is a great Litton virtue. In Mahler's song-cycle *Lieder eines fahrenden Gesellen* they sounded as keen but almost too lively, even skittish, against Ann Murray's commanding mezzo.

Doubtless Litton wanted to fight clear of the familiar lachrymose approach. The little flecks on this candidly dramatic performance were at opposite extremes – moments of tight, brittle phrasing from the orchestra, against a couple of chest-voice outbursts from Miss Murray, which never suggest the lovelorn youth but only an operatic diva. But these were flecks only: the whole cycle gripped.

Debussy's *La Mer* was not only vital, but faithfully, even brilliantly paced and proportioned. One rarely hears a conductor who favours making the most of the structure Debussy actually designed, rather than making a meal of passages that happen to please. Litton's care was rewarded by exciting results, and the Bournemouth players coped excellently with a score which in places is almost unplayable.

Had the same conductor been riding hard on the pianist in Ravel, the Concerto would have had more polish. In the Allegramente he would surely have discouraged the pianist from winsome mooning in the central cadenza and climax and guaranteed really taut support for the racketty finale. It was all good enough fun, and Litton's curious bumpy accents in the sober Adagio melody suggested rusty fingers rather than dubious intentions.

In Knightsbridge, it was the London Baroque who undertook John Blow's pretty masque. The leading pair, Lynne Dawson and Stephen Varcoe, and Nancy Argenta as Cupid, grew confidently into their music. For a while Miss Dawson had seemed, at least as broadcast, to put sedulous effort into articulating words, and it was a pleasure to hear her soprano opening up naturally for the tragic dénouement. Without forcing Blow's gentle idiom, Varcoe's Adonis was romantically touching.

Conducted by Charles Medlam, the band played elegantly (very good recorders). The sound choir were particularly engaging in the hunting-chorus of the middle, comic act, though intuition said that some of the dances there were taken with excessive decorum. Intuitions vary, of course; and in any case the honest feeling in Blow's well-made score was transmitted with charm.

David Murray

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ARTS GUIDE

August 4-10

OPERA AND BALLET

London

Ballet. At the Coliseum, the Bolshoi Ballet continues a grand London season with performances of Swan Lake.

Paris

Grand Palais des Champs Elysées. Ballet Moisseiev: Russian and world folk dancing (48787515).

Bayreuth

Bayreuth Festival. Wagner fans from all parts of the worldwill see the premiere of a *Parsifal* production by Wagner's grandson Wolfgang. Conductor James Levine leads a strongcast including William Pell in the title role, Bernd Weikl, Matthias Hoelle, Hans Sotin, Franz Mazura and Waltraud Meier. After criticism of Harry Kupfer's *Ring* cycle production, changes are expected for the revival. The main roles are once again sung by Siegfried Jerusalem/Rainer Goldberg, John Tomlinson, Peter Hofmann and Nadine Secunde. *Tannhäuser* returns, after a one year break with the new Venus Ruthild Engert-Ely, Cheryl Studer, Wolfgang Brendel, Hans Sotin/Manfred Schenk, William Pell and Siegfried Vogel, in Wolfgang Wagner's delightful production.

Munich

Opera Festival. Last week of performances opens with *Le Nozze di Figaro* with star singers Margaret Price, Wolfgang Brendel, Susan Quittmeyer, Hermann Prey, Angela Maria Blasi, and excellently conducted by Bernhard Klee. *Dornröschen* has wonderful Peter Wright choreography. *Don Giovanni* has a first-rate cast led by Thomas Allen, Kurt Moll, Julia Varady, Peter Schreier, Mariana Nicolescu, Jan-Hendrik Rootering and Angela Maria Blasi. *Die Meistersinger von Nürnberg* in August Everding's ordinary staging, convinces thanks to Bernd Weikl, Kurt Moll, Hans Guenter Noecker, Kenneth Garrison, Rene Kollo and Lucia Popp in the leading roles.

Rome

Terme di Caracalla. *Aida*, in a revival by Sylvano Bussotti of the spectacular 1950s version, with six over-excited horses now replacing the camel, which has long since retired to Rome zoo. The conductor, Nicola Rescigno, who conducted Callas for many years and is now with the Dallas Opera, returns after a 25 year absence, and the excellent opening cast is led by American soprano, Aprile Millo as Aida, Grace Bumbry (Amneris and Giorgio Lamberti (Radames). Also Mauro Bolognini's traditional production of *Tosca*, conducted by Jan LathamKoenig, with Giovanna Casolla in the title role, Nicola Martinucci as Cavaradossi and Ingvar Wixell and Elia Padovan alternating as Scarpia (46.17.55/46.36.41).

Verona

The Arena. This week's performances include Verdi's *Nabucco*,conducted by Daniel Oren, with Silvano Carroli, Piero Cappuccilli and Paata Burculadze, Gianfranco de Bosio's production of *Aida*, conducted by Pinchas Steinberg (Aprile Millo and Bruno Beccaria), and Verdi's *La Forza del Destino* with Maria Chiara, Giorgio Zancanaro and Nicola Martinucci, conducted by Sandro Bolchi (596517/8005151).

Viareggio

Puccini Festival (at nearby Torre del Lago). *Madame Butterfly*, conducted by Bruno Moretti, withYoko Watanabe and Dano Raffanti, and*Turandot*, with Olivia Stapp, Antonio Ordonez, Lucetta Bizzi and PaoloWashington, in Giancarlo Corbelli's production, designed by MaurizioBalo. (359.322).

Ravenna

Ravenna Festival. Verdi's *La Traviata* conducted by Massimo deBernard, with Nelly Miricioiu and Renato Bruson (32577).

New York

New York City Opera. The week features the first performance of *The Mikado* with Lisa Saffer and Richard McKee in Lofti Mansouri's production conducted by Peter Howard. Other performances include *Rigoletto* with Maureen O'Flymn as Gilda, Susanne Marsee as Maddalena and Pablo Elvira in the title role, conducted by Scott Bergeson. Also *Anna Bolena* and *Il Barbiere di Siviglia*. Lincoln Center New York State Theatre (877 4700). *London Festival Ballet*. In the second week of their visit, the company performs *Romeo and Juliet*, *Land*, *Anastasia*, *Etudes* and *Napoli*. Lincoln Center Opera House (362 2080).

Who's Left?

OLD RED LION

The Old Red Lion at the Angel in Islington is under threat of closure unless it can raise about £10,000 towards safety improvement plans. This excellent cause will not be much served, I fear, by the latest production, a tortuously asinine first play, *Who's Left?* by the actor Barry McCarthy that was first seen at the Traverse in Edinburgh three years ago.

Asinine may be the wrong word, for the proceedings are not graced with much in the way of levity or silliness. Would that they were. The subject is communal feminism as three girls desert their men and, after a council of war, renew old university camaraderie in a shared flat. Trish and Alice are married, while lumpish Chrissie, an unemployed teacher splendidly played by Kathy Burke, is leaving a boyfriend who proves in the later stages to be the villain of the piece.

There is a lot of chatting on sofas in glum surroundings, and a surprising amount of back-peddling on the telephone to the vile ex-partners. But there is absolutely no sense of a shared adventure, beyond some preliminary scraps over who has which bedroom, and complaints after a few months about the succession of noisy bedfellows Trish (Emma Wray) has lured to her duvet den. Muted hints of sapphic dependency are ditched as fast as they crop up; the piece is not only thinly written, it is also rife with unexplained plot developments, such as Alice's (Tilly Vosburgh) mental illness, her confessions of troilism with her club-owner husband and a trendy actor, Chrissie's sudden depressions, and Trish's burgeoning nymphomania.

Every time the scene changes, you feel you are watching a different set of people. Nothing flows or follows on. The only consistency lies in the idea that these people are either congenitally stupid or cardboard embodiments of the writer's theory that women are unable to survive without men.

The *Lysistrata* strain in contemporary drama has distinguished antecedents in David Hare's *Slag* and Pam Gems's *Dusa, Fish, Stas & Vi*, the latter particularly coming to mind in this sadly disorganised attempt to prove that women should be wary of men and even warier of other women. The hapless director is John Moulton-Reid.

Michael Coveney

FINANCIAL TIMES
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Tuesday August 8 1989

Mr Lange's legacy

THE RESIGNATION yesterday of Mr David Lange as Prime Minister of New Zealand removes from power a physical and political heavyweight. In five years, he transformed New Zealand from a sleepy backwater with a protected economy into a country which now commands attention – whether it be for radical economic reform or for offending great nuclear powers such as the United States and France.

It is not surprising that the financial markets took fright, albeit briefly, at Mr Lange's decision to go, just as they did last December when he unceremoniously sacked Mr Roger Douglas as Finance Minister. The reforming Labour Government, first elected in 1984 and again in 1987, was at its most effective with these two diverse and explosive personalities in tandem. Mr Douglas was re-elected to Cabinet last week by the parliamentary party, prompting Mr Lange to walk out, but his future role remains unclear.

No assessment of Mr Lange can overlook the enormous change he has wrought in the attitudes of his countrymen. He is a conviction politician from the left willing to try policies from the right if satisfied a better future lies in that direction. He eventually fell out with Mr Douglas over the speed of reform as public spending cuts started to affect vital social services.

Easy choices

In the early days, choices were easy. His government inherited an exchange rate crisis and an economy which was caught in a time warp of subsidies and protectionism and in real danger of pricing itself out of essential export markets. The average annual per capita growth rate from 1965 to 1985 was under 1 per cent while the average rate of inflation was over 10 per cent. Living standards increased artificially as earnings outstripped inflation, paid for largely by increased foreign borrowings by the private and public sectors.

Mr Lange and Mr Douglas determined to crush inflation and to make New Zealand compete in the world rather than hide from it – even if this meant a recession and unemployment. The economy contracted by 1 per cent in 1987 and did not grow at all in real terms last year, entirely caused by a collapse in net exports.

But the achievements have been considerable. Protective barriers have been dismantled, the currency floated and under-performing public monopolies fully or partly privatised. Chronic budget deficits have been replaced by a surplus for the first time in a third of a century and the severe disincentives of the tax system have been ameliorated by cuts in personal taxes and a shift from direct to indirect taxation.

High price

All this had a price. Living standards fell to more sustainable levels and interest rates soared. But inflation has been strangled, and although a rise in the sales tax will push it back to 6 per cent, the underlying rate looks stable at around 4 per cent, with earnings growth running at a similar rate.

Mr Lange has also restored New Zealanders' pride in their view of how the world should be. His government was environmentally sensitive before it became trendy. Many might decry his destruction of ANZUS through his refusal to allow US nuclear warships to visit New Zealand ports or his attacks on France for using the Pacific as a nuclear testing ground. But the country is firmly behind these principles.

Indeed, the approach of the notionally left-wing governments in both New Zealand and Australia in shedding ideological baggage and pursuing market-oriented policies served as something of a beacon to other socialist parties around the world. It is not often that the Antipodes have set a significant political example.

The danger of policy drift until the next general election, due within 12 months, is serious. The new prime minister's main objective must be to avoid a debilitating hiatus just as New Zealand's economy looks as if it might be about to reap the gains from the painful but necessary restructuring forced through in the Lange-Douglas heyday.

Time to work all hours

IN THE next few months, unions in the United Kingdom and West Germany will enter the fray with engineering industry employers, aiming to win a 35-hour week for their members.

The British Confederation of Shipbuilding and Engineering Unions will in September press ahead with ballots on industrial action at 12 leading engineering companies, to put pressure on the Engineering Employers Federation over a national agreement. Early next year IG Metall, the 2.5m strong West German engineering union, will resume a campaign for a 35-hour week with the renegotiation of its three-year contract with the Metal Employers Federation.

These are traditional union demands. But claims for a reduction in working time are becoming part of a debate about a wider reorganisation of working time. The standard five-day working week has never applied to large groups of workers. In industries such as chemicals, which use continuous processes, 24-hour a day, seven-day working is common. Weekend working is common in service sectors like transport and hotels.

A variety of pressures will force other industries to consider reorganising traditional working time. Trade union demands that workers should get some permanent, tangible rewards from the productivity growth of the 1980s is only the most obvious. More significantly, there are sound business reasons for employers to examine the organisation of working time.

Flexible workforce

One is the goal of breaking down demarcation lines to create a more flexible workforce. The separation of blue and white-collar workers is perhaps the biggest remaining demarcation line in manufacturing. Removing that in order to create additional opportunities for flexibility will require a harmonisation of the terms and conditions of blue and white collar workers.

Investment in new technology is another pressure. Since the 1984-85 miners strike, British Coal has become capital intensive. The corporation wants to ensure this capital is fully used rather than lying idle overnight or over the weekend. It wants its big pits to produce coal six days a week, although miners might only work an average of four and a half days a week.

The car manufacturers are under similar pressures. Ford wants to move towards three-shift production, 24 hours a day, with maintenance at weekends. At BMW's Regensburg plant, workers put in a 35-hour week in four days, but the plant produces at weekends. The working week and the production week do not have to be the same.

Overtime costs

The high costs of overtime are also forcing employers to reorganise shift systems. Several television companies are moving towards contracts which allow considerable flexibility within an overall total of annual hours contracted to be worked. Such a deal was yesterday approved at Independent Television News.

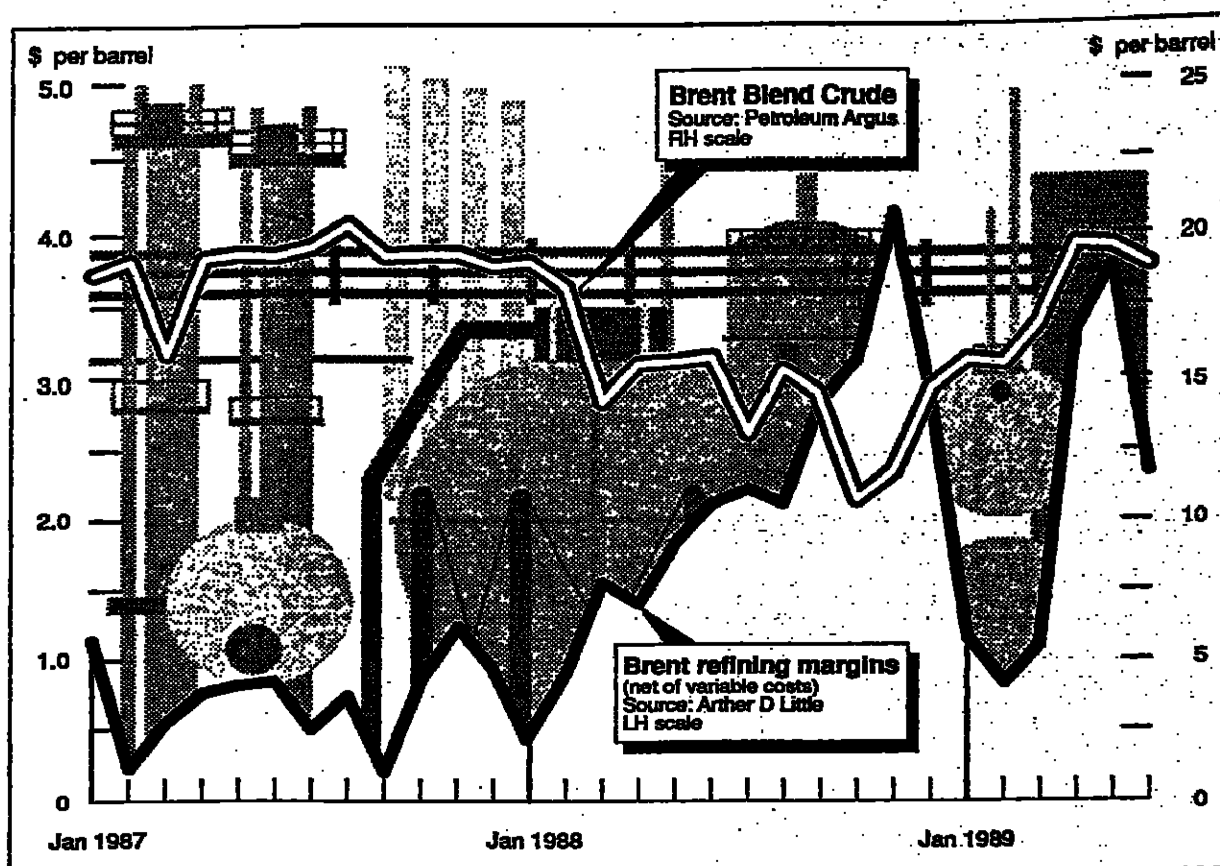
In the service sector, some television rental companies want their engineers to work a shorter working week, but move away from the standard working day, so they can provide cover early in the morning, during the evenings and over weekends when consumers are not at work.

The growth of women's employment is forcing financial service companies such as Norwich Union to consider introducing evening shifts for office workers, as many women with domestic responsibilities do not want to work in the afternoon when children are due home from school.

There will be no value in a ritual slanging match between engineering employers and unions this autumn. Reductions in working need to be paid for with higher productivity. A rigid national agreement to cut working hours would fly in the face of the different needs of small and large engineering companies.

These are sensible employer responses to the unions' claims. But in addition, employers and unions should agree to open up the debate about working time by saying goodbye to the old fashioned, rigid working week and welcoming a much more flexible, pluralistic approach to working time.

Steven Butler looks at the reasons for improved petroleum refining profits



Whiter products, brighter outlook

There is reason to smile in the boardrooms of BP, Shell, Mobil and the rest of the world's big oil companies.

After a decade in which oil companies cumulatively lost hundreds of millions of dollars refining the oil that they quite profitably brought up from deep under the earth, this capital-intensive, yet chronically weak link in the chain between production and sales to the consumer is starting to look like a healthy business.

Refining oil into usable products is starting to earn a profit again, and across Europe oil companies are busily sizing up the market to see whether they dare start investing again to expand capacity. It is a risky decision that could have a big impact on the profitability of integrated oil companies in the 1990s.

The last time around, the industry got it wrong and it has taken 10 years to work through the impact of a simple misconception about oil markets. In the 1970s, nearly every energy economist agreed that oil consumption was linked in a straight-forward arithmetic relationship to economic growth. Billions of dollars were invested in oil refineries to meet a demand for oil products that was expected to rise inexorably, no matter how high prices climbed.

Yet when oil turned out to be like any other commodity – when consumers finally balked at higher prices and used less – refiners were locked into a decade of misery, in which billion-dollar write-offs and refinery closures never quite managed to drain away enough surplus capacity.

Now the oil companies are looking with fingers crossed at the second year running in which profits at the refineries are expected to be good, even though refining margins are now temporarily depressed. Second quarter results released last week by the US oil companies look good. And confidence is growing that while problems may still arise, the refining industry can look forward to many years of reasonable returns, even though profits will continue to lurch up and down unpredictably.

The key to this recovery is not just the elimination of gross excess capacity, which remains a serious problem in Europe, but rather what the industry calls the "whitening" of the barrels. The demand for "whiter", or chemically lighter, petroleum products, which include transportation fuels such as diesel and petrol, has grown while demand for darker, heavy fuels has fallen. White products require intensive refining, in effect reducing capacity, and they command higher margins.

Major oil companies have always had the ambition to run a vertically-integrated chain from wellhead to petrol tank, with a strong grip on both supply and markets. The refining part of the business was stuck in the middle, with its profits and losses almost incidental to the grand mission of producing crude oil and capturing a customer base for refined products.

Yet this cosy world fell apart in the 1970s when during a period of nationalistic fervour much of the oil companies' crude oil reserves were taken over by members of the Organisation of Petroleum Exporting Countries. This began a process in which the oil companies have picked apart pieces of their business and asked each to pay its own way. Until very recently refining has been freeloading on the rest of the industry.

The improved outlook results not so much from cuts in gross refining capacity, but from fundamental changes in the pattern of consumption. Certainly cuts in gross refining capacity have occurred on a big scale. West European refining capacity has fallen by 31 per cent since 1978. BP shut nine of its main European refineries in this decade and is left with just five.

Yet European capacity for primary distillation, the first and basic step of breaking crude oil into its major constituent chemical groups, appears to be almost permanently too great, especially along the Mediterranean. Last year the European refineries ran at only 74 per cent of capacity, compared to 87 per cent in the US.

Now the environmental clean-up costs associated with closure are enough to keep even outdated, inefficient installations grinding on while waiting for a better market, and in hope that someone else will close first.

Rising total demand also accounts for only part of the turnabout. Although worldwide oil consumption this year is expected nearly to match the record set in 1979, in Europe and America demand is lagging well behind, with more of that demand also being met by imported refined products.

The boost to refinery profits has come from basic changes in consumption patterns. Consumers are gradually using more higher value-added fuels, such as petrol and aviation fuel, giving a clear benefit to refiners who have made expensive investments to upgrade facilities that break apart and reshape hydrocarbon molecules to create these products.

In the US, which burns almost half the world's supply of petrol outside the communist countries, petrol consumption has risen from 38 per cent to 42 per cent of total oil use since 1978. In Europe, petrol consumption rose from 20 per cent to 25 per cent.

Furthermore, these numbers significantly understate the extent of the changes. This is because in the US, over this period, unleaded petrol has come to dominate the market, while in Europe unleaded petrol consumption is rising while permissible lead levels are dropping. The US has also gradually lowered petrol volatility standards to reduce vapour emissions which contribute to air pollution. Producing high-quality fuels without lead and with low volatility requires an intensive refining process that uses significantly more energy within the refinery and reduces total output capacity.

This return to a broad balance between upgraded capacity and demand for high-quality products has brought cheer to the oil companies

Billion-dollar write-offs and refinery closures never quite managed to drain away enough surplus capacity

because it gives them another potential profits stream to balance severe swings in profitability elsewhere in the business. The oil companies have been saved in recent years by surging profits in their chemicals businesses, but the near future of this highly-cyclical business looks doubtful as demand weakens and new capacity is installed. The production of oil has also proved to be a highly erratic source of profits recently.

With US refineries last month running at over 90 per cent capacity while petrol-producing equipment was at full tilt, refining is starting to look like a plausible third leg for the industry to stand on. In the coming years, as one industry executive puts it, a "decent living" is expected for refineries that have invested in the type of equipment – crackers, cokers, reformers – used for upgrading lower quality, semi-refined products.

Even so, this may turn out to be far less of a bonanza than many analysts have predicted and the long run is fraught with hazards. As oil companies examine a new round of European refinery investment proposals, there is an uneasy feeling that one-off factors, more than broad supply and demand balances, are responsible to an uncomfortable degree for the two erratic profit peaks of the past year. The future is far less assured than projections of current trends may indicate.

The US is the key to the future because US supply and demand patterns, even more than the European market, will determine whether European investments make sense. This is because the US is chronically short of petrol supplies and US import needs and product prices exert a decisive influence on prices in Europe, which supplies some of the US demand.

Unfortunately, clues from the recent past are far from easy to interpret. In 1988, refining margins in Europe and America were boosted by erratic buying behaviour by distributors and retailers anticipating prices changes or supply problems, and by plunging crude prices and a rash of accidents and equipment failures. This year margins have gyrated in response to rising crude prices, fluctuating demand (real and expected), and worries about crude supplies in the North Sea and Alaska that temporarily led retailers to pay almost anything to buy in product supplies. This has resulted today in ample supplies and plunging prices.

One lesson of the past year, however, is that US supply is surprisingly resilient. Petrol production in the US has reached 7.4m barrels a day, roughly 8 per cent higher than last year's average. US capacity had been assumed by many to be roughly static, if not falling in the wake of more stringent fuel standards. In fact, programmes to eliminate refinery bottlenecks by replacing pumps or renewing catalysts in chemical processes have succeeded in increasing real capacity and the supply crunch which many traders and retailers had prepared for never materialised.

Mr Dennis Ecklof, a refining and marketing specialist at Cambridge Energy Research Associates, says this kind of refinery renewal can continue even in the absence of major investment programmes or new refinery construction.

The sudden rise in pump prices also produced a shock for petrol marketers in the US and cast doubt on the strength of future demand. In the past four years, the market share taken by premium unleaded in the US more than doubled to about 25 per cent as motorists were persuaded to use higher grades of fuel than their cars required. Yet when prices rose in May and June motorists bought less petrol and quickly decided the 10 cents a gallon saved by buying ordinary grades of fuel was worth it. By consuming lower grades of fuel when prices rose, motorists were, in effect, releasing refinery capacity.

Mr Ecklof calculates the US driving population will increase by only a half per cent a year; the car market is already near saturation. With road congestion high, road construction down and the rate at which women are entering the workforce slowing, miles per driver is unlikely to rise significantly.

The Bush administration has also tightened federal rules for the average efficiency of new cars. Next year, cars produced by each manufacturer must have an average efficiency of 27.5 miles per gallon. There are congressional moves afoot to impose even stricter standards. Proposed tighter inspection of existing cars could result in more old, less efficient vehicles being taken off the road early. A rise in the US federal petrol tax, aimed at narrowing the federal budget deficit, could easily hit demand and margins. And President Bush himself is backing the promotion of non-petrol vehicle fuels.

All this could suddenly turn to very bad news for refiners who rush to build expensive kit. According to Mr David Barker, a refinery specialist at Arthur D. Little, the management consultants, there are 10 to 20 naphtha processing units on the drawing boards of European refineries, which would produce high-quality petrol components from naphtha, a refined product often used as a chemical feedstock. At $25m each, however, these are relatively low risk ventures.

More questionable are proposals to build catalytic reformers, costing roughly $100m, or new conversion units which produce light products from heavy residual fuel oil and cost easily more than $500m. In an industry in which historic capital costs are barely covered even when margins are relatively high, these types of investments are difficult to justify for any company that adopts a wholly commercial approach to its refining.

The oil industry stands a good chance in the coming years of enjoying attractive average margins on refining oil. Yet it will have to resist the temptation of trying to cash in on a good thing by expanding capacity too quickly and ruining the market, as now appears to be happening in petrochemicals.

OBSERVER

Birch in self-defence

■ During his time as chairman of Ward White, Philip Birch has launched and won many a hostile takeover bid. This week the tables are turned as he struggles to find a set of "alternative proposals" to the £900m offer for his own company from Boots.

Born in Liverpool in 1932, the 57-year-old Birch has an unusual background for a senior businessman. Of the many professions he has tried, the first was football: as a teenager he had a trial for Everton. At the tender age of 14, he joined the merchant navy and served before the mast for four years with the Elder Dempster line.

When he came ashore, he worked for English Electric on Merseyside, taking evening classes to qualify first as an engineer and later as an accountant. He worked for several large companies – including Unilever – before joining a London-based firm of management consultants.

In the late sixties, he found himself advising John White, a shoe manufacturing company based in Northampton. He was asked to join the board and in 1968 was appointed managing director.

Throughout the seventies, he concentrated his energies on the shoe business, promoting a merger with George Ward in 1972 and the acquisition of Tuf shoes a year later. In the early 1980s, he decided to move away from shoe manufacturing to shoe retailing.

In November 1984, he made his first move away from shoes with the £54m purchase of Halfords. This gave him a taste for mergers and acquisitions and over the next three years he moved in (and out of) toy retailing and the department store business, bought Payless (the DIY company) and – in time – sold off all the shoe businesses.

He has eight children and a roguish sense of humour. He plays an aggressive game of tennis, enjoying beating journalists on his Northamptonshire estate.

Local banking

■ A few years ago Graham Sutherland, the group chief executive at Yorkshire Bank, which is now apparently up for sale, was asked at a press conference about the bank's exposure to Mexico. "You did say Mexborough?" he replied. "Look, for us cross-border lending is lending in Lancashire."

Egg before

■ There is a story in Double Century: Cricket in The Times about the Australian F R Spofforth who may have been the greatest bowler of all times. He was basically an off-break man, but he bowled fast, medium and slow, always with the same action and always from the same run, so that the fast or the slow ball could not be detected in advance. He was devastatingly successful in the Oval Test in 1882. It is claimed that he was so brilliant with his hands he could pick up a newly-laid egg, throw it 50 yards and land it on turf without the egg being broken. Can this be true?

Kemp and Dole

■ Senator Robert Dole, the Republican Minority leader of the Senate and former presidential candidate, has a refreshing candour and wit, rare in US politics. When he is criticised – even, or rather especially, by his own side – he hits back hard.

Dole's latest target is Jack Kemp, another former presidential candidate from the 1988 campaign and now Secretary

"Can't we sell the Contras to Iran?"

of Housing and Urban Development (generaly known as Hud), where he is having to clean up after the political favouritism left over from the Reagan years. Kemp is equally outspoken and that, together with a tendency to long-windedness, was why George Bush did not make him his running mate.

The cause of their latest row is Dole's remarks a week ago criticising Israel for abducting Sheikh Obeid without consulting the US and precipitating the latest hostage crisis. Dole urged a "little more responsibility" on Israel. These words did not go down well with the large pro-Israel lobby in the US and later in the week Kemp told a meeting of the grandly named Chowder and Marching Society that the Senator's comments should not go unchallenged and "should not be the image our party is giving to the country".

Kemp claimed the meeting was an off the record discussion among fellow Republicans. However, as he well knows, almost anything said to more than two people in Washington soon becomes public.

Senator Dole, who has battled with Kemp several times over the years, has returned to the attack on another front. "I think Kemp ought to be worrying about Hud," he said on television yesterday. "He's got plenty of problems there." And he has.

Cold comfort

■ There was only one goldfish in this office. It was called Edwin, after our new hi-tech computer system. Edwin died last week, despite the best efforts of one of our technology correspondents to look after it. Those included acquiring a book by Robert Mertlich, America's leading goldfish authority.

Mertlich's advice on the most humane way to end the life of a terminally ill goldfish is: "Place it in a container of water and place it in a freezer until it is frozen solid. Goldfish are cold water fish and as the water temperature drops, so does their metabolism and awareness. By adding a little salt to the water the goldfish will die very quietly before the water freezes. After the fish has frozen it should be buried deeply in the flower garden (not vegetable garden) or disposed of in such a way as to comply with city and state regulations."

Our correspondent is so overwhelmed by Mertlich that he has decided not to get another goldfish for the time being.

Seasonable

■ From the staff magazine of a Southampton company: "While we were in Kentucky we were introduced to a delicious drink that is very popular in that part of the world – a Mint July." Not to be confused with a Crème de Month.

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LETTERS

Poland could adopt the Ecu in place of the zloty

From Mr Jonas Nycander.

Sir, President Bush of the United States has asked for European initiatives to help Poland overcome the present economic crisis, and at the same time promote its integration with western Europe.

Of course he is right. But the cheapest – and at the same time the most effective – way of doing this has so far been overlooked: the European Community should help Poland change its official currency from the zloty to the Ecu, the European currency unit.

Achieving convertibility of the Polish zloty is always regarded as crucial to economic reform. However, given the debt burden, the political instability and its past economic record, the Polish Government is in no position to guarantee the value of the currency with any credibility. So as soon as exchange controls are relaxed, people will desert the zloty in favour of hard currencies, depleting currency reserves and pushing up inflation.

Instead, the Polish Government should give up such futile attempts, and simply abolish the zloty.

By adopting the Ecu as the official currency, the Polish Government would give up the right to print money, but the advantages gained in return would be enormous. Everybody would immediately be allowed to do business in "real" money, and to save in a currency in which they have confidence. The inflation rate would be the same as in the EC, after an initial period of adjustment. The balance of payments problem would cease to exist.

Furthermore, when Polish companies earn all their income in hard currency, they will be able to borrow money abroad individually. Capital imports can thus continue regardless of the Polish Government's debt burden, ending the paralysing grip of the debt crisis on the whole economy.

Finally, and most important, the risk of an economic collapse (like the present one in Argentina) would be completely eliminated. This risk, otherwise, is very real.

To perform the transition, the Polish Government should buy back all zloty bills for payment in Ecus. The Ecu bills should be supplied free by the EC. (Because these bills will continue to circulate in Poland, this will cost the EC nothing. In fact, as the amount of Ecu bills in Poland begins to rise spontaneously, as no doubt it will, the EC will make a profit.) At the same time the government should declare that all bank accounts and private debts are converted to Ecus at the same exchange rate.

Would Poland thus give up a part of its independence? In reality the opposite is true. While Poland would give up the right to determine its own inflation (a blessing) and finance the budget deficit by printing money, the greater resilience given to the Polish economy would in fact make the country more independent. Real independence comes from strength. It is noteworthy how easily Panama, where the US dollar is the official currency, has resisted the economic sanctions from the US aimed at bringing down General Noriega.

The symbolic importance of Poland being the first country to adopt the Ecu as its national currency can hardly be overestimated. It could probably only be matched by the tearing down of the Berlin wall. While Ludwig Erhard's currency reform in 1948 marked the beginning of the division of Europe, the proposed reform would signal the end.

Jonas Nycander,
Granitvägen 22 A,
752 43 Uppsala,
Sweden

Best feet forward

From Mr J.C. Foster.

Sir, I read Alice Rawsthorn's summary (July 27) of the TMS partnership report on the womens' shoe industry in Britain with interest; my company is the largest supplier of footwear machinery both in UK and in the world.

I agree with all the report's conclusions except the last. It is hard to see why the advent of highly automated production units should favour the bigger suppliers against the middle-sized manufacturers. In our view, as developers and manufacturers of those automated systems, the optimum output level with such a system is of the order of 1,000-1,500 pairs a day.

Because even relatively small shoe manufacturing companies have outputs of at least this level, why should the larger factories have any big advantage? Economies of scale above this level do not readily apply – unless the middle-sized, non-specialised companies simply decline to invest; a significant part of the story in the last couple of decades.

J.C. Foster,
United Machinery Group,
Ross Walk,
Belgrave, Leicester

Whisky could earn higher profits

From Mr John Wakely.

Sir, James Buxton's article on the recovery in whisky production (August 2) misses a point about changes in the industry. As it becomes more marketing-driven, it has begun to appreciate the huge difference in profitability between standard brands and deluxe/malt whiskies.

Whatever is happening to overall whisky sales, premium brands are rapidly increasing in nearly all markets, including the US, where overall sales of scotch whisky are down 50 per cent from their peak.

You do not sell whisky on price. The upward potential for higher profits is huge, particularly outside the UK. If the industry can control distribution and advertise more it can begin to narrow the large price gap between whisky and cognac.

Comparing the standard branded whisky with a VS cognac, the first is produced from plentiful barley, the second from plentiful grapes which do not make good wine. Both are distilled twice in similar fashion, put in similar oak barrels for about five years, blended similarly, shipped to similar shops, paying the same in excise tax. Yet cognac VS can sell for 60 per cent more at retail prices. Production costs play little part in this.

John Wakely,
Shearson Lehman Hutton Securities,
1 Broadgate, EC2

Poor pass in property

From Mr Richard Dodds.

Sir, In the face of rising interest and, hence, mortgage rates last summer, Mr Nigel Lawson advised that house prices would be determined by the market. Clearly the big UK clearing banks and building societies are wary of this. Keeping mortgage rates below money market interest rates to prevent further decline in the housing market may be in shareholders' and members' best interests.

But this should not present an opportunity for savers to cross-subsidise borrowers, by accepting a lowly 10 per cent on 90-day accounts. Given little alternative, I am surprised that savers have not complained more.

Richard Dodds,
Manchester Business School,
University of Manchester,

From Mr Tapan Datta.

Sir, With the Halifax now saying that property prices are going to fall next year (FT, August 4), things must have reached a pretty poor pass.

When house prices reach levels clearly unsupportable on the basis of existing incomes and interest rates (mortgage rates are high, but far nearer the "normal" UK level than those of a year ago), the market will correct. There is now a danger that people will not know where the market bottom is likely to be, once falling prices are accepted as normal.

Our calculations show that prices were likely to need a 10-15 per cent correction over a two-year period from last summer's peaks if a normal relationship to incomes was to be restored. If inflation is allowed *to rise much further*, the degree of pain inflicted on house prices may be much less.

Tapan Datta,
American Express Bank,
Global Economics Unit,
60 Buckingham Palace Road,
SW1

Hand-picked

From Mr A.W.G. Catto.

Sir, The FT published an article (August 2) on recent changes at the Department of Trade and Industry. One *important development*, however, went almost unnoticed: the retirement of Sir Brian Hayes.

Sir Brian was the last Permanent Secretary to be appointed before the present administration came to power. Since then, all Permanent Secretaries have been hand-picked by Mrs Thatcher.

A.W.G. Catto,
25 Thornhill Road, N1

'Yours, pedalling . . .'

From Mr James Brander.

Sir, I'm sorry Peter Bottomley should feel unappreciated after his three and a half years as Minister for Roads and Traffic ("Yours, pedalling," Letters, August 2). Better appreciation of the needs of cyclists and pedestrians must be largely to his credit.

Further evidence of such appreciation came last week: a specific reference, in the Department of Environment's Strategic Planning Guidance for London, to the 1,000 mile Network of Strategic Cycle Routes – a significant change, as the network received no mention in the draft document.

But of the 30-odd trunk road schemes scheduled for the next seven years inside the M25, only one, the East London River Crossing, includes full, separate provision for cyclists. Mostly we shall still have to compete with all the other traffic.

James Brander,
London Cycling Campaign,
3 Stamford Street, SE1

Cities are for people

From Mr Adrian Davis.

Sir, Mr R.G.I. White's letter ("Car parking for prosperity," July 26) states the opposite of what we know to be the truth about allowing cars to dominate our cities and pandering to their demands for more space.

The important study, recently undertaken by Transport and Environmental Studies, of the direct link between controlling car penetration into urban centres and economic prosperity, clearly shows that across Europe control of the private car is beneficial in economic terms. Put simply, traders benefit *from* the freedom that their customers gain from the absence of large volumes of traffic.

Building more car parking *capacity* will only further exacerbate the situation whereby the unrestrained growth of car traffic is physically destroying – and polluting – our urban environments, including the health of the population.

As for out-of-town shopping centres, they are designed specifically for car-based trips – bad news both for those who do not have access to a car, and for the livelihood of the very city centres which, Mr White claims, are at risk.

If we wish to create real prosperity which includes not *only the economic but also* the social and cultural – that is, increasing the quality of life – then we must not submit to the demands of the private car, *but improve our mass* transport systems and facilities which promote cycling and walking. Cities are for people, not motor traffic.

Adrian Davis,
Friends of the Earth,
26-28 Underwood Street, N1

Transport and the environment

From Mr Michael Chichester.

Sir, Honda's decision to assemble cars at its Swindon site raises a number of environmental questions. How will the 100,000 vehicles due to be produced there by 1994 be distributed, both within the UK and to continental Europe?

Swindon lies on southern England's principal East-West rail link, one which not only serves south Wales and the Bristol area, but also provides direct access to the *Channel* Tunnel via Reading, Guildford, and Ashford. Yet the present Honda site, like many other components of Swindon's *expanding industrial complex*, is sited away from this rail link, with no branch line or sidings to serve it and its neighbours. As a result, road traffic in the area and on the M4 motorway has greatly increased, while the rail link serving Swindon remains grossly under-used.

The necessity of 100,000 new cars having to be transported annually over the roads of southern England is one which any UK Government pledged to "take environmental considerations into account in economic decision-making" (Paris economic summit communiqué) should take steps to avoid.

The Transport Department's report *(July 21) that* traffic volume on our roads may grow by up to 142 per cent by 2025 underlines the urgent need for an investment in rail systems *at least equal to and preferably* greater than that allocated to road building over the next decade.

Michael Chichester,
The Mead House,
Taynton,
Burford, Oxfordshire

Regional versus national airport development

From Mr R.P. Botwood.

Sir, Mr Graham Stringer ("UK airports policy should be national," *Letters, July 25*) is wrong to say that one third of passengers using London airports have been forced there from other parts of the UK. They have been attracted there by frequency of service and range of destinations offered, which has resulted in Heathrow becoming the world's largest international airport, and Gatwick the second largest.

If their further growth is to be constrained in future, the result will be:

- Inability of regional passengers to get to where they want when they want, or
- Encouragement for the development of continental hubs, particularly Paris's Charles de Gaulle airport, now eagerly building towards a five-runway, 90m passengers a year *single airport*, poised to prise from Heathrow its premier status and position as the main gateway to Europe.

It will *not* result in all regional passengers being able to enjoy services from their *local airport with the choice of* timings they need. For all but a few regional airports, to a few important destinations, there are simply insufficient passengers to make any sort of acceptable service viable.

Of course regional airport development should have every encouragement; this they have received from Government. But supporting such a policy by denying natural growth to the south east of the UK will be to the regions' great disadvantage.

Richard P. Botwood,
The Chartered Institute of Transport,
80 Portland Place, W1

From Mr Thomas Whittle.

Sir, The views of Mr Graham Stringer, leader of Manchester Council (Letters, July 25) will be echoed by all UK air travellers except those in the favoured south-east. But he should go further. Britain is too small to sustain a parochial airport policy, fostered by city *and airline vested interests.*

He says that one-third of passengers using London airports have been forced there from other parts of the country. In *the next century, at the present* growth of air travel, Britain will need all its existing airport capacity and more, including Aberdeen, Glasgow, Prestwick and Manchester. The Government, having sold six important airports (including Stanstead) to one company, should now undertake an unbiased, independent review aimed at stimulating full use of all existing capacity, taking account of the "vicious circle" impact of landing charges at under-used airports.

The unseemly squabble between Glasgow and Prestwick airports should be ended, if necessary by Government action, to pursue co-operation and co-existence on behalf of all passengers.

By the criteria of climate, safety and environmental amenity, Prestwick ranks about *the best in Europe. Glasgow is* likely to be among the worst. The two airports are some 22 air miles apart; Glasgow is about 20 minutes by road and Prestwick 45 minutes by road and rail from Glasgow city centre – much less when the road link to Prestwick is improved to a reasonable standard. An electrified (heavily subsidised) rail line from Glasgow runs alongside Prestwick airport.

Prestwick should be allowed (at least) feeder services to Edinburgh/Aberdeen and London, with (if necessary) short term facility inducements to encourage airlines to share a base there. Better still: induce or pressurise BAA to float off Prestwick Airport as an independent company. Investors would subscribe; travellers and pilots would be delighted.

Thomas Whittle,
19 Kildoon Drive,
Maybole, Ayrshire.

FOREIGN AFFAIRS

Political barter that defies logic

Edward Mortimer on the difficulty of devising a credible deterrent to hostage-taking

One of the diabolical aspects of this hostage business is that it's almost impossible to think straight about it. And the *straighter one tries to think* the less comfortable and practicable are the thoughts one comes up with.

One starts, I suppose, with *the common-sense approach to* an ordinary criminal kidnapping, in which the first concern is to rescue the victim. If that means paying the ransom you do it. Once the victim is free you do everything possible to catch the criminals and bring them to justice.

On the whole the success rate in the second is high enough to provide a deterrent cancelling out the incentive provided by the first. When it isn't, rich people and businesses simply adjust their accounts to include extra security costs, including the eventual payment of ransom. The criminals, being people with a straightforward economic motive, will not push their ransom demands above what the market will bear.

Political hostage-taking is not so straightforward. Neither the kidnapper nor the government to which he addresses his demands can be relied on to follow ordinary market logic. Governments have greater resources available to them than even the richest individual or company: not just economic resources but the ability to make political concessions, including the release of prisoners.

The kidnapper for his part is looking for political advantage rather than, or as well as, money. He usually makes demands the granting of which cannot be easily costed; and he is usually operating outside the jurisdiction of the government or governments concerned.

So the common-sense approach is open to serious objections. The chances of capturing the kidnapper after payment of the ransom are slim, so the deterrent factor is negligible; and it is further weakened if the "ransom" includes the release of other criminals detained for similar crimes. Moreover, this kidnapper is not likely to be satisfied with the proceeds and retire to enjoy them: he is part of an organisation with a further agenda of demands. For all these reasons the danger that granting his demands will lead to further kidnappings has to be taken seriously.

And the demands themselves may be such that governments cannot grant them, or will feel that the cost of doing so is higher than that of leaving hostages to their fate. If so, the logic of the market might be expected to reassert itself, and the kidnappers revise their demands downwards until they become acceptable – which is what everyone is now hoping will happen in the present case. But that presupposes that concessions in exchange for the release of the hostages are the only benefit the kidnappers are looking for, which is by no means necessarily true.

Publicity for themselves or their cause, embarrassment of their "moderate" rivals in the same or related movements, obstruction of a rapprochement between their supposed sponsors or protectors and the target government or its friends, maintenance of a deterrent against military reprisals: all these objectives may be better served by continued retention of the hostages, or even by murdering some of them, than by reducing the demands. They may even be the primary motive, in which case demands may not even be made (as is so far the case with the British hostages), or may be made purely for effect and without any intention to embark on a serious bargaining process.

The fact that such calculations take us further away from the simple market model does not make them "irrational," as is often claimed. They may sometimes be wrong, in that the political effect is not always the one intended. They may also be profoundly wrong in the sense of unethical, at least according to our code of ethics. But they are still quite rational.

Even an act leading to one's own destruction may be perfectly rational if performed for a cause which one believes more important than one's individual life – especially, of course, if one expects eternal rewards in another life after death.

So one arrives at the doctrine of "no bargaining with terrorists," proclaimed by most western governments but practised by few: the British Government, in recent years, has been the only more or less consistent practitioner. The essence of this doctrine is that since there is no credible deterrent against hostage-takers one must avoid giving them any incentive at all.

Therefore the approach is the exact opposite of the "common-sense" one outlined above. Instead of giving first priority to rescue of the victim one acts as though that objective had no priority. Nothing must be said or done to suggest that any advantage of any sort can be obtained by kidnapping British subjects. That *means that hostages have to* be coldly written off, as if already dead, from the moment they are taken.

Self-destruction may be rational if performed in a cause more important than one's own life

But this approach too *encounters great difficulties.* A government may decide to apply it, but it cannot impose it on the families and friends of the hostages, who almost inevi*tably have different priorities.* Nor can it deny them access to the media.

The plight of the hostages *pricks* the public conscience so long as the public knows or believes that they are not in fact dead, but undergoing a fate which might indeed be *worse than death; and the* government comes under at least intermittent pressure to do something about it. Moreover, if the kidnappers have objec*tives other than concessions,* as suggested above, they may achieve them just as well whether the government bargains or not.

Another difficulty has to do with the principle of deterrence. One object of the "no bargaining" policy, besides denying hostage-takers an incentive, is to restore a credible deterrent: they can no longer expect that if caught they will be released in response to pressure from colleagues who will take new hostages for the purpose. (Logically they might even be exposed to punitive military action while still holding the hostages: if the latter are really written off as already dead, then any risks to them involved in such action can be discounted. But even the British Government has *yet to carry the logic that far.)*

It is now generally accepted, however, that hostage-taking is not a private-sector activity. The hostage-takers enjoy some degree of state finance and protection, and therefore deterrence has to be applied to the state in question – in the present case Iran – as well as to the individuals. So that state is told to expect some disadvantages – ranging from military attack to the denial of diplomatic or economic support – so long as people connected with it continue to hold hostages.

Following the strict logic of the "no bargaining" theory, once this message has been conveyed there should be no further communication with Iran until either the hostages are released or Iran has convincingly severed all connection with the kidnappers.

But the reality of interstate relations is different. When the new Iranian head of state declares his willingness to "help" (in other words offers to embark on a bargaining process) everyone cheers. Let the bargaining commence.

The British Government has been lucky so far in that the current British hostages are all adult males who went to Lebanon of their own free will well after the risks of doing so were *at least* partially apparent, and in that their captors have refrained from using them to apply any public pressure. But Britain will hardly be able to *stay out of a bargaining* process in which other governments, notably the US and Israel, are involved.

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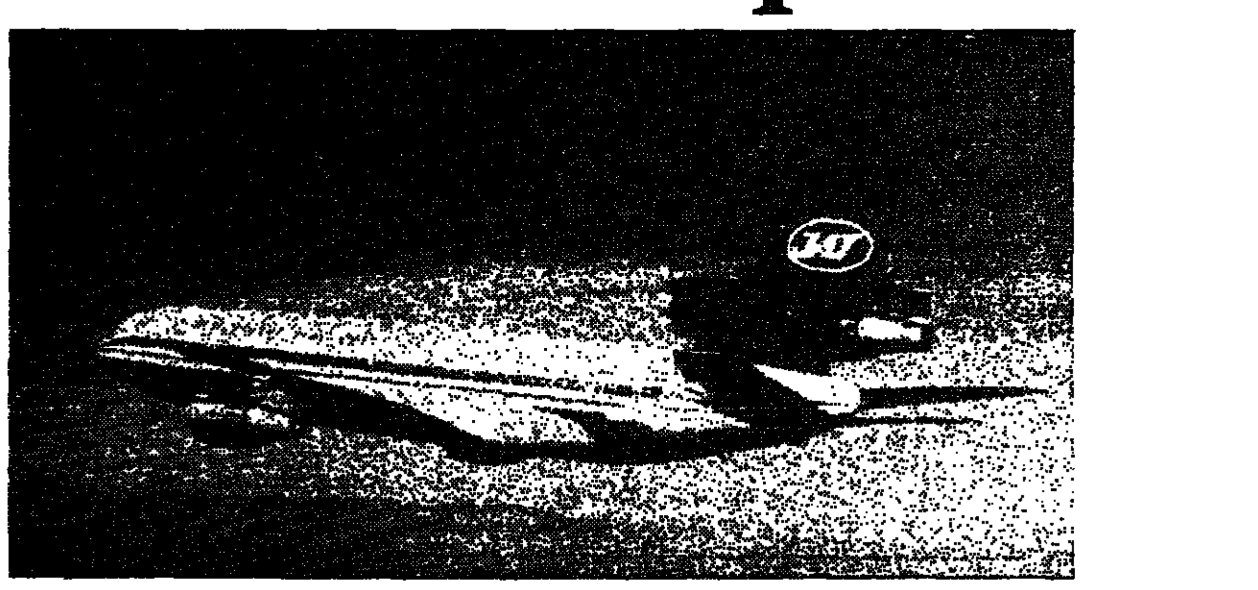

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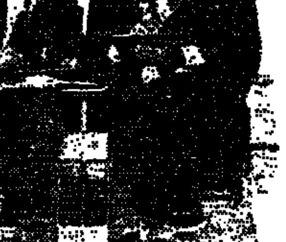

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High British interest rates begin to bite

By Ralph Atkins, Economics Staff, in London

OFFICIAL figures showing a sharp drop in UK retail sales and a small rise in consumer credit yesterday provided the strongest evidence yet that the British Government's high interest rate policy has put the brakes on consumer spending.

The Central Statistical Office said it had revised downwards estimates for retail sales volumes in June, cutting the annual growth rate to the lowest for nearly seven years. In the same month, outstanding consumer credit rose by the smallest amount since November 1986.

A slowdown in consumer spending is a key part of the Government's anti-inflation strategy. The latest figures are likely to encourage financial markets and the Treasury.

However, the Government is widely expected to wait many months before cutting interest rates. The Bank of England publishes its quarterly bulletin on Thursday and could take the opportunity to dampen speculation of an early fall.

Although consumer spending growth may have started to slow, it remains underpinned by strong growth in earnings. Changes in the National Insurance system will add to spending power from October.

Moreover retail sales form only part of consumer spending. Other components – particularly car sales – show only tentative signs of slowing so far. Sales of newly-registered cars are forecast to reach record levels in August.

Government attempts to control inflation may be threatened by an acceleration in wages feeding through into higher labour costs per unit of output. High interest rates could also be needed to defend sterling which in the past week has edged gradually lower.

Yesterday many city analysts said no reduction was likely until at least the end of the year and did not rule out another rise.

Mr Ian Harwood, UK economist at Warburg Securities, said: "I would guess at a cut in March 1990 at the earliest. And then in the context of a cautious Budget."

Retail sales, which account for about 40 per cent of consumer spending, fell by 2.3 per cent in June after seasonal adjustment – the largest drop for almost 10 years. That partly reversed a large jump in May, attributed to earlier-than-usual purchases of summer clothing.

In the three months to June, sales were ½ per cent higher than the previous three months. Compared with the same period a year earlier, sales were 3 per cent higher – the slowest growth rate since November 1982.

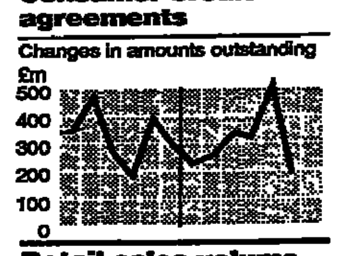
Mr Keith Skeoch, chief economist at James Capel, the London stockbrokers, said: "Retail sales have topped out. We are past the peak. They have been broadly level pegging since the start of the year and that could feed through into slower total consumer spending."

Evidence of a slowdown in credit is more tentative, however. Outstanding consumer credit agreements increased by just £182m in June but this could partly reflect a catch-up after a record £505m rise in May. The average of the two latest months was higher than the average for the first six months of the year.

Credit may have been boosted by "distress borrowing" as households hit by higher mortgage rates borrow to maintain spending levels. It could also have been distorted by the slowdown in mortgage lending which may have encouraged consumers to find other sources of borrowing.

Slower growth in retail sales has already begun to hit retailers. Last week MFI, the furniture retailer, hit problems with the funding of its management buyout largely because of a sharp drop in sales. Rumbelows, the loss-making electrical retail chain, has announced a restructuring plan including the closure of 30 shops.

Consumer credit agreements
Changes in amounts outstanding



Retail sales volume
Ave.1985 prices 1985=100

Shift of emphasis for W Germany

David Goodhart examines the debate over greater job flexibility

BMW's shiny new plant at Regensburg in Bavaria is built on a site where Stone Age villagers lived nearly 7,000 years ago. But it is the plant's futuristic shift system, including regular Saturday work, which routinely draws the television cameras to the main gates of West Germany's most controversial work-place.

For Regensburg has become a focus for the hopes of multinational employers and the fears of (some) union leaders in the current debate about working time and flexibility in Germany. That debate comes to a head early next year with the end of the current three-year contract between I. G. Metall, the 2.5m-strong metalworkers' union, and the Metal Employers Federation, and the resumption of the union's fight for the 35-hour week.

Regensburg features prominently in the shouting match that has already begun between the two sides because it combines the union's demand for ever shorter working time, and more jobs with the employers' insistence that such demands can be met only if flexible work patterns – including weekend work – keep plants running for longer.

But despite the 2,000 extra jobs (of a total of 6,000 by June 1990) the new shift system is creating, and despite the guarantee of a 35-hour, four-day week for Regensburg workers regardless of the outcome of national negotiations, I. G. Metall regards the new plant as an embarrassment.

For it highlights how – if the offer is generous enough – plant-based works councils can be lured away from I. G. Metall's hard-line opposition to weekend work, opening the way to increasingly decentralised bargaining on other non-wage issues.

Regensburg-type deals will not catch on in the average medium-sized engineering works and, indeed, some employers have criticised BMW for being too generous. But for greenfield sites and for some large companies, especially car markers weighed down with expensive and under-used capital equipment, they could become the norm.

Daimler-Benz is already said to be exploring the option of a Regensburg deal at a plant now being built and, if current demand for its cars keeps up, BMW will try to introduce it at other plants. I. G. Metall has thus been doing its best to discredit the Regensburg model.

Production at the Dm1bn ($534m) Regensburg plant began in 1986 with a normal one-shift system and 1,200 workers. When in 1987 BMW planners began to consider expanding, they proposed a shift plan involving a nine-hour day, four-day week, including two working Saturdays in three, for a new body plant (costing a further Dm500m) and for the existing plant.

By breaking with the eight-hour day and the taboo on Saturday work, BMW said it would create three jobs from two conventional work-places. For the company, machine running time would be increased by more than a third from 40 to 54 hours a week.

The union-dominated but inexperienced works council found the package irresistible, especially as Regensburg – near the Czech border – has been an area of high unemployment made worse by job shedding at the Maxhuette steel works. The four-day, 36-hour week, then one and a half hours less than other car plants, was especially attractive.

By the time I. G. Metall officials in Frankfurt realised what was happening it was too late and in May last year the new system began. But it had big teething troubles.

For every young worker who was happy to work on a Saturday and have the ski lifts of the Bavarian Alps to himself on a week-day, there was at least one other who resented the disruption to weekend family and social life.

Mr Roland Wild, one of the local I. G. Metall officials who helped negotiate the deal, says the pain of adapting to a new working rhythm was greater than expected.

Many workers began to see the point of the hitherto rather abstract lecture from their national union officials: if working time becomes so staggered that people lose the opportunity to enjoy their free-time *together* the quality of their lives will decline.

Mr Wild says that some men with wives who also work part of the weekend found that they did not properly see each other for weeks.

Many of these resentments came to a head when BMW announced at the end of last year that demand was so strong that it wanted to introduce a second shift earlier than expected. Workers said that working one *shift* on Saturday from 6am to 3pm may have been just bearable but working the second Saturday shift from 3pm to 12 midnight would effectually destroy the whole weekend. At the end of June 300 workers demonstrated outside the management offices.

I. G. Metall pounced on the unrest and declared that the Regensburg model had been rejected. "Workers who thought they were just escaping from shopping with the wife on Saturday morning suddenly found the whole weekend in jeopardy," said Mr Joerg Barczynski, a senior I. G. Metall official.

But the company sensibly compromised and in June next year will start a second shift, with 2,000 more jobs, on weekdays only. The plant will run 99 hours a week instead of the proposed 108 hours, and should produce 520 cars a day. There is also an agreement to abolish the practice of closing the plant for a two-week summer holiday.

Much of the transitional pain of the Regensburg model has now disappeared and Mr Wild says that he can recommend it to other works councils.

Some problems remain. For example, workers who had been acquiring new skills at further education colleges on Saturday morning can no longer do so. This, according to Mr Rudolf Ebneth of BMW, is just an example of how the rest of society must adapt to more flexible working time.

He adds that Regensburg has been such a successful example of the job-creating potential of flexibility that even some national officials of I. G. Metall are easing their resistance to Saturday working. At least it strengthens the arguments of unions such as I. G. Chemie which, partly because of the round-the-clock requirements of the chemical industry, takes a far more flexible approach to working time.

I. G. Chemie even supports Sunday working but religious sensitivities will ensure that remains taboo for the foreseeable future. Uniroyal in Cologne recently had a new shift system including Saturday and Sunday rejected by the North Rhine Westphalian Government, despite the fact that it was supported by the works council and would have created 400 jobs. The company is expected to drop Sunday but will follow BMW in holding out for Saturday.

Editorial comment, Page 14

I. G. Chemie accepts pay cut

I. G. Chemie, the West German chemical industry union renowned for its moderation, has accepted a cut in pay for several thousand workers in the oil industry – but they will remain the best paid manual workers in the country, writes David Goodhart in Bonn. Oil sector workers receive about 40 per cent of their income from special "house agreements" and the big oil companies had threatened to abolish these by joining the Chemical Employers Association unless cuts of about 6 per cent were agreed. The union broke new ground this year when it signed a deal giving manual workers in the chemical industry the same pay and benefits as white-collar workers.

Honduras backs plan to disarm Contras

By Tim Coone
in Tela, Honduras

THE HONDURAN Government yesterday agreed to the compulsory demobilisation of the US-backed Nicaraguan Contras based on its territory.

The agreement signifies the end of the road for the rebels, formed in 1981 to fight the left-wing Nicaraguan Sandinista Government from the remnants of the former Samoza regime's National Guard.

On the final day of the summit of Central American presidents in Tela, Honduras, a bilateral accord was signed by the Nicaraguan and Honduran delegations. Honduras made the concession on demobilisation in exchange for Nicaragua's agreement to drop charges it has made against Honduras in the International Court of Justice at The Hague, in the Netherlands. The charges, regarding the use of Honduran territory for attacks by "irregular forces" against Nicaragua, would have been likely to result in financial compensation for Nicaragua for damages inflicted on its economy.

As recently as Sunday night President José Azcona of Honduras had insisted that the demobilisation plan must be "voluntary." It is expected that a 90-day demobilisation period will now be agreed. Honduras would be obliged to use force against the Contras if at the end of 90 days they had not voluntarily disarmed.

The draft demobilisation plan is thought to propose that the International Committee of the Red Cross and UN High Commission for Refugees take charge of repatriation or relocation procedures. Weapons will be handed over to the Honduran army or UN-designated forces.

According to Mr Victor Hugo Tinoco, the Nicaraguan Deputy Foreign Minister, the only obstacle remaining to an agreement between the five presidents on a peace plan for the region is a last-ditch attempt by El Salvador to introduce a "symmetry" clause in the final summit document. This would initiate the demobilisation of the left-wing El Salvadorean guerrillas, the FMLN, along with the demobilisation of the Contras.

The other four presidents, however, are not in favour of linking the two issues.

Mr Tinoco said he believed US government pressure on El Salvador was influencing its stance at the summit. Washington has said it wants the Contras to stay intact as a viable force backed with US humanitarian aid to guarantee free elections in Nicaragua, scheduled for next February.

However, Contra commanders are also reported to have been told by the US State Department that after November humanitarian aid will be only to help demobilisation.

THE LEX COLUMN

Trying to drop the shopping habit

It would be nice if shoppers' skinflint behaviour during June meant lower interest rates were on the way. Unfortunately, yesterday's extra-large fall in retail sales suggests nothing of the kind. Sweaty shoppers, having already bought their summer frocks and sandals in May, appear to have stayed sensibly at home in June. The picture from the two months taken together is of a gentle decline in spending growth, which simply confirms what everyone has been talking about for some weeks.

Retail sales are now growing at a rate about half that of last year, but the 3 per cent underlying rise in itself gives a misleadingly subdued picture of what the consumer is up to. With car registrations extraordinarily strong and spending on services still healthy, it would be too early to cut rates even if the consumer were the only consideration. As it is, the wage pressures as well as further wobbles in sterling mean it is still dangerous to rule out a further rise in rates.

As far as the equity market goes, that risk is much less serious than the danger of shocks from the companies themselves. Yesterday's 14-point rise in the FT-SE was driven by the usual assortment of half-baked stories: it will be interesting to see the response to any sobering news on profits. With results expected this week from many of the heavies, the market may yet be reminded of the fundamentals it has been so busy forgetting.

Jefferson Smurfit

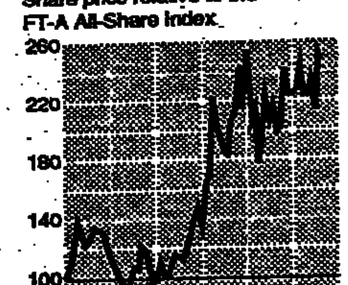
The behaviour of the Jefferson Smurfit share price yesterday seems distinctly perverse. The company proposes to borrow something over $1bn at junk bond rates, at the peak of the US paper cycle, and spend the proceeds elsewhere, presumably on acquisitions. If it were raising the cash more cheaply through a conventional bond issue, would its share price still have jumped 30 per cent?

Perhaps investors have been misled by the complexity of the deal into thinking that Smurfit is realising a profit. The leveraged off-balance sheet purchase of CCA in the US three years ago was a spectacular success, timed as it was for the upswing in the paper cycle. But Smurfit is in no sense cashing in; instead it is re-junking the whole deal on a grander scale, once more in partnership with Morgan Stanley. All its US operations – the source of two thirds of group profit – are going into the joint venture; and presumably to make the deal possible, Smurfit is committed to spending $330m on buying out the quoted minority in its US holding company.

Perhaps the company feels that the tax breaks on interest payments make the deal worthwhile. But the risks look formidable. With the paper industry facing a cyclical downturn, paper stocks are trading on discounts of up to 50 per cent to the market average. Smurfit's own US company, despite its astonishing growth record, has slipped to a multiple of 7. And this is an operation 90 per cent integrated from forests through to cardboard boxes, thus combining operational and financial gearing in the riskiest possible way.

It never does to underestimate Smurfit, especially after the CCA deal. But in that case, the gamble was partly offset by laying hands on a business previously owned by an oil company and running it properly. Nothing of the sort is suggested here: just financial engineering, pure and simple.

LWT
Share price relative to the FT-A All-Share index



LWT

Ask any fund manager about LWT's management buy-in plan, and you will get much the same answer. Institutions are waiting to see the whites of Mr Bland's eyes, but do not like what they have learned so far. They feel that by gearing up heavily, and diverting cash flow to service debt, LWT will alter its character radically, perhaps dangerously; and the prospect of 50 senior executives buying into LWT's equity on preferential terms seems at odds with pre-emption rights. Scratch the surface though, and one finds among fund managers a more general feeling that recent months have seen too many situations – Isosceles/Gateway, Magnet, Hoylake/BAT – which seek to rewrite the investment rulebook too quickly for comfort.

Personal Pensions

Yesterday's better-than-expected pension sales figures from the UK life assurance industry raise questions about just why the stock market continues to dislike life company shares. On the one hand, life salesmen pushed personal pensions with gusto, and the quoted companies, especially Prudential and Britannic, shone out especially strongly. It is impressive enough that the industry sold new pensions contracts worth £1.5bn in premiums, up 50 per cent on 1988. But the fact that after 150 years in business the Pru can find the energy to hold onto a 10 per cent share of the new personal pensions market is a handsome tribute to corporate resilience.

Yet life company shares are still underperforming the market: there was a brief rally in late July, but the sector remains at a yield premium of 27 per cent. One would have thought that by now the bad news - the housing market downturn, and losses from estate agency chains - would have been fully discounted. There has also been good news, such as the easing of worries over industry regulations, which has not moved share prices. Perhaps the market fears that by developing an over-reliance on personal pensions business, life insurers are exposing themselves to damage from a Labour government. If so, this is premature, and the sector looks undervalued.

New Zealand

The financial markets in New Zealand have much to thank Mr Lange for: the removal of exchange controls, the scrapping of tariffs and the adoption of a hard-nosed economic policy. It therefore might seem surprising that they responded to his departure yesterday with so little concern. However, the general idea is that Mr Lange was going soft on reform; thus, the return to Cabinet of the ousted finance minister might mean the economic and financial revolution will continue. That does not necessarily mean equities are cheap: after a 14 per cent rise in the past month, the market is on over 10 times earnings, which is plenty given what is likely to happen to forestry earnings this year.

China's Culture Minister sacked from party post

By Colina Macdougall in London

WANG Meng, China's reformist Minister of Culture, has been dismissed from his job as party chief in the ministry and may soon lose his post as Minister, the authoritative Hong Kong-based China News Service reported yesterday. The Culture Ministry said it could not comment on the report.

Wang, a 54-year-old novelist who was purged in 1957 and not rehabilitated till 1979, was seen on his appointment to the job in 1986 as a symbol of a new freedom in art and literature.

Conversely, his sacking from his party post indicates that Peking's crackdown on freer thinkers after the June suppression of the democracy movement is continuing unabated.

Wang is the first official of ministerial rank to suffer since the dismisal of Zhao Ziyang, formerly party general secretary, and his demotion is certain to spark more fear among intellectuals and reformers.

Wang has encouraged younger writers to be bolder in expressing controversial opinions.

New Zealand PM resigns

Continued from Page 1

the talking point of economics meetings around the world. But in the end he was a man in indifferent health, wearied by the incessant bickering within the party and increasingly worried, as a deeply committed socialist, about the effect of policy on the social fabric of New Zealand.

Labour MPs saw political mileage prior to the next election at having both Mr Lange and Mr Douglas in the same Cabinet. However, Mr Lange had warned them that Mr Douglas was "living death" to him.

He was visibly shocked at the level of support the former finance minister gained. Mr Lange appeared to have decided to take this as a vote of no confidence, having beaten two previous bids to replace him by Douglas supporters.

Mr Lange has visibly aged over the past two years as he struggled to slow the Douglas reform programme, encountering deep animosity in the process from former allies such as Mr Douglas and Mr Richard Prebble, another minister he was forced to sack. Mr Lange made no secret that he hated the personal attacks he was forced to withstand.

In his farewell speech Mr Lange pointed to the two latest opinion polls which show a strong rise in his personal support and for the Labour party.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	82	Dubrovnik	S	27	81	Malta	S	29	84	Rhodes	S	29	84
Algiers	C	31	88	Edinburgh	C	19	66	Manchester	C	20	68	Rio de J'o	C	24	75
Amsterdam	C	22	72	Faro	S	26	79	Manila	R	29	84	Rome	S	29	84
Athens	S	30	86	Florence	S	30	86	Melbourne	C	11	52	Salzburg	C	25	77
Bahrain	S	35	95	Frankfurt	S	23	73	Mexico City	C	23	73	San Francisco	F	13	55
Bangkok	F	34	93	Funchal	C	25	77	Miami	S	27	81	Seoul	C	30	86
Barcelona	S	29	84	Geneva	S	30	86	Milan	F	27	81	Singapore		–	–
Beirut		–	–	Gibraltar	S	28	82	Montreal	C	16	61	Stockholm	F	22	72
Belfast	F	17	63	Glasgow	F	18	64	Moscow	F	20	68	Strasbourg	F	27	81
Belgrade	F	28	82	Guernsey	S	21	70	Munich	S	23	73	Sydney	S	15	59
Berlin	C	25	77	Helsinki	F	18	64	Nairobi		–	–	Taipei	R	29	84
Biarritz	F	24	75	H. Kong	F	32	90	Naples	S	34	93	Tangier	S	25	77
Bombay	F	29	84	Innsbruck	F	23	73	Nassau	F	33	91	Tel Aviv	S	31	88
Bordeaux	C	23	73	Inverness	R	20	68	New Delhi	C	36	97	Tenerife	F	26	79
Brussels	F	23	73	Islamabad	C	31	88	New York	C	25	77	Tokyo	S	32	90
Budapest	S	28	82	Istanbul	F	27	81	Nice	S	27	81	Toronto	C	13	55
B. Aires	C	20	68	Jakarta	C	32	90	Nicosia	S	29	84	Tunis		–	–
Cairo	S	34	93	Jersey	F	22	72	Oporto	S	22	72	Valencia	S	32	90
Cape Town	S	21	70	Jo'burg	S	21	70	Oslo	F	20	68	Venice	F	26	79
Caracas	C	27	81	Lima	C	19	66	Paris	R	20	68	Vienna	S	25	77
Casablanca	S	27	81	Lisbon	C	22	72	Peking	R	24	75	Warsaw	S	22	72
Chicago	S	13	55	London	F	24	75	Prague	S	26	79	Washington	S	25	77
Cologne	F	23	73	Los Angeles	F	18	64	Reykjavik	R	10	50	Zurich	S	26	79
Copenhagen	S	20	68	Luxembourg	F	23	73								
Corfu	S	29	84	Madrid	S	30	86								
Dallas		–	–	Majorca	S	30	86								
Dublin	C	18	64	Malaga	S	27	81								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Lloyds under fire for Abbey mail shot

Continued from Page 1

cates are continuing.

One problem hampering investigators is that no one so far has been able to come up with a plausible explanation for the burning on such a large scale. It is understood that employees working for the firm have been questioned.

Lloyds Bank is also believed to have offered anyone coming forward with further information about the burning a cash reward of £10,000.

Lloyds revealed that 80 per cent of the missing certificates seem to have belonged to the batch of 835,000 certificates allocated to Business Mailing Services.

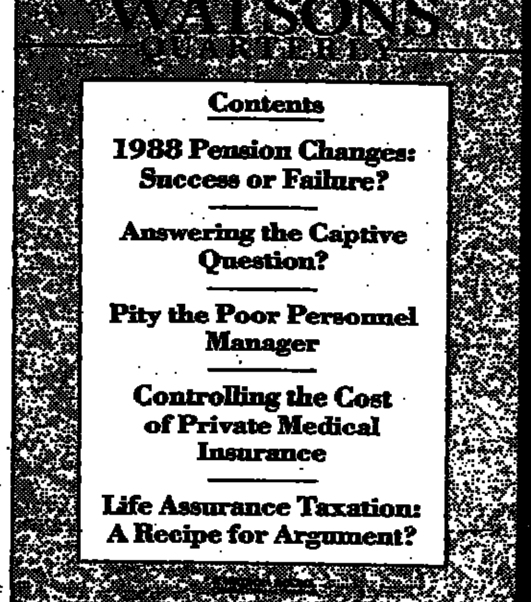
Fears that the controversy surrounding its flotation might threaten Abbey National with the prospect of protest withdrawals of savings by angry depositors are unfounded, Mr John Bayliss, Abbey National Managing Director, said yesterday.

"There has been a seasonal drop and also the closing of our accounts, though not more than our research into the flotation led us to expect," he said.

However there is growing speculation in the City of London about the size of the fee Lloyds will receive from Abbey National for its handling of the flotation procedures. Last week Sir Jeremy Morse, Lloyds group chairman, said that the matter not being actively discussed until shareholders' problems had been resolved.

Some City analysts believe that Abbey National could even try to extract damages from Lloyds in place of a payment.

What does Watsons say?



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FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday August 8 1989

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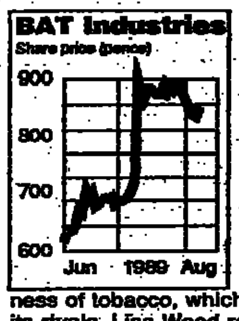
INSIDE

Challenge in the tobacco business



Today Sir James Goldsmith's Hoylake Investments is due to publish its offer document for BAT Industries. Should the bid succeed, Sir James and his associates will have a challenge on their hands: dealing with the key investment and strategic task confronting the conglomerate's core business of tobacco, which has been losing out to its rivals. Lisa Wood reports. Page 23

The odd couple

They make an incongruous pair. On the one side Hickson International, a long-established UK specialist chemicals business based in Yorkshire, and on the other its largest shareholder, "Black Jack" Dellal, a financier and property developer, who is best known for his involvement in the ill-fated merchant bank Keyser Ullman in the early 1970s. The questions raised by this curious match deepened last week, when Dellal raised his holding to 13 per cent, writes Vanessa Houlder. Page 25

The dark horse of Allfinanz

Its profits for the first half of 1989 may have been overshadowed by those of Deutsche Bank and Dresdner Bank, its two bigger domestic rivals, but Commerzbank, West Germany's third biggest financial institution, has not been hiding its light under a bushel this year. In the past two months, it has unexpectedly raced ahead of its competitors in Allfinanz — the term for wide-ranging financial services under one roof — with a deal to buy 50 per cent of DBV & Partner, a nationwide insurer. Page 18

Mixed rewards at harvest time

A few UK farms will almost certainly have a record corn harvest this year. A few others will have a disaster, while the rest will have a mixture, with some fields doing well and others badly. This variability is attributable to three factors — the quality of the land, the date the crops were planted and the timing of local rainfall, writes David Richardson in his Farmer's Viewpoint column. Page 26

Fast-track flight of the Conder

Since Christopher Stewart-Smith took over as chairman of Conder Group two years ago, its share price has more than quadrupled: outpacing the market by nearly 300 per cent. Founded in 1947, Conder made its name as a UK supplier of broadly spanning steel frames for single-storey buildings. Later, it developed the "dry envelope" method of fast-track construction for multi-storey buildings. Page 24

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Col. Versich	999	+	59	Aux-Entreprise	1044	+	51.5
Porsche	797.5	+	8	Bel-Equipment	353	+	30.5
Volkswagen	456	+	10.4	Rochette	135	+	6.5
Falls				Falls			
BMW	590	—	7	Alspi	410	—	12.5
Karstadt	597	—	13	Cap Gemini	218.5	—	6.5
Leifheit	590	—	10	Poliet	780	—	18.5
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Digital Eq.	98⅞	+	1⅛	Miyairi Valve	1710	+	160
Glenfed	22	+	1¼	Sanyo Chem.	1610	+	150
Harcourt B.	15¾	+	⅝	Tokyo Toyota	1400	+	130
Hewlett-Pack	56⅞	+	2½	Totenko	1310	+	110
Falls				Falls			
Disney (Walt)	113⅝	—	2½	Chujitsuya	4100	—	390
Philip Morris	159½	—	2½	Koito Mfg.	3300	—	320

New York prices at 12.30.

LONDON (Pence)							
Rises				Racal Elect.	440	+	16
ASDA Grp.	200	+	9	Racal Telecom	371	+	18
BAT Inds.	848	+	22	Smurfit (Jeff)	585	+	135
BICC	552	+	14	THORN EMI	853	+	18
Brit.& Comm.	184	+	8	Utd. Biscuits	404	+	8
Candover Inv.	443	+	30	Falls			
Capital Radio	869	+	22	Body Shop	429	—	12
Cons Gold Flds	1495	+	12	Comm. Union	405	—	17
Desoutter Bros	537	+	13	Cooper (F.)	167	—	19
Elect. Machine	193	+	23	Leisure Inv.	85	—	18
GKN	448	+	9	Lloyds Chemist	205	—	8
Lucas Inds.	693	+	17				
Park Food	214	+	10				

Hanson declares Gold Fields bid unconditional

By Nikki Tait in London

HANSON, the UK conglomerate, yesterday announced that it had won control of Consolidated Gold Fields, the mining investment house. It is the largest takeover bid to succeed in the UK, valuing Gold Fields at £3.5bn ($5.7bn).

Hanson said yesterday that it controlled 57.8 per cent of Gold Fields shares at the first close on Friday, and it had now declared the recommended bid wholly unconditional.

Yesterday, Mr Martin Taylor, Hanson's deputy chairman, said the group was "extremely pleased" to have passed the 50 per cent level by the first closing date, and to have topped the level of acceptances achieved by Gold Fields' former suitor, the South African-controlled investment group, Minorco.

However, he refused – in line with Hanson's consistent policy throughout the bid – to be drawn on the conglomerate's plans for the Gold Fields business, or the timescale to which it now expects to work. Most analysts expect the bulk of Gold Fields' assets to be sold off, and perhaps only ARC, Gold Fields' aggregates subsidiary, to be retained.

Nor would Mr Taylor comment on the extent of any contact between Hanson and Gold Fields of South Africa. GFSA holds a 7.5 per cent interest in Gold Fields and is not believed to have been among the shareholders accepting on Friday.

Hanson's victory brings to an end a near year-long struggle for control of the UK mining house. Minorco opened the battle in September 1988, negotiated a Monopolies and Mergers Commission inquiry and gained sufficient acceptances to give it potential control (when combined with shares owned) of 54.8 per cent of Gold Fields. However, its offer was finally thwarted by legal action in the US.

Given the levels achieved by Minorco, and the fact that Hanson had an irrevocable undertaking to accept the offer from Minorco in respect of its 29.6 per cent stake at the outset, yesterday's result caused little surprise. Gold Fields shares gained 12p to £14.95, while Hanson added ½p to reach 232p.

Meanwhile, it emerged yesterday that Hanson may have breached the Australian Takeover Code, as a result of its irrevocable agreement with Minorco.

Consequently, it has informed Australia's National Companies and Securities Commission that for at least 10 weeks after the close of the bid, it does not intend to change Gold Fields' 46 per cent holding in Renison Goldfields Consolidated, the Australian associate, or vote that holding in favour of any substantial alteration in the affairs of that company, unless it is recommended by RGC directors.

Mining assets play musical chairs

As Hanson wins Gold Fields, Kenneth Gooding looks at a worldwide shake-up in the minerals industry

There are currently $12bn of mining assets on the move. Britain's RTZ Corporation has just completed the $4.3bn acquisition of British Petroleum's minerals and mining operations. Amax, the US aluminium-molybdenum producer, has bid $2.4bn for Falconbridge of Canada, the world's second-largest nickel producer. And Hanson, the UK conglomerate, yesterday announced its $5.3bn offer had won it control of Consolidated Gold Fields, the diversified mining group.

According to Mr Mark Wellesley-Wood, head of the mining team at Kleinwort Benson, that list represents nearly one fifth of the available supply of mining businesses – given that the market capitalisation of major UK and North American miners is $58.6bn. (Australians must be excluded because their government insists they be majority-owned by local shareholders.)

Most analysts believe the fun has just begun. Minorco, the South African-controlled investment group which bid unsuccessfully for Gold Fields, still intends to become a world-class natural resources group and, after collecting the cash for its near-30 per cent stake in Gold Fields, will have $2.4bn to spend.

Noranda, Canada's major natural resources company, has built up a 24 per cent shareholding in Falconbridge and might attempt to outbid Amax for the rest of that company.

Both Minorco and Noranda are among the companies jostling for position in the queue for the Gold Fields assets which Hanson is expected to sell.

So far, Hanson has been as cagey as ever about its plans for Gold Fields. "We will examine each of the businesses with the managers concerned," says Mr Martin Taylor, Hanson's deputy chairman, restating the corporate policy.

But Hanson's reputation rests on its success as a dealer in corporate assets and Gold Fields offers clear break-up possibilities.

Analysts suggest there is one Gold Fields subsidiary Hanson will want to keep – ARC, the former Amey Roadstone Corporation and Britain's leading producer of roadstone.

Not only does ARC add a further dimension to Hanson's building products businesses (which include London Brick in the UK and Kaiser Cement in the US) but ARC's considerable cash flow will also be to Hanson's liking.

There is also the possibility that Hanson might hold on to Gold Fields' 49 per cent stake in Renison Goldfields Consolidated, not for the Australian company's gold, tin or copper interests, but because its AMC division is the world's largest supplier of high-grade feedstock for titanium dioxide. This is the highly-profitable material which gives whiteness to modern paints and plastics.

Hanson's SCM Chemicals is a major titanium dioxide producer in Australia, the US and the UK, and there would be some sense in it having a "captive" raw material supplier.

Nothing else in the Gold Fields portfolio offers an obvious fit with any of Hanson's wide-ranging interests.

Most observers believe that Hanson will not take a shine to the complexities of mining and the gold business and that the rest of the Gold Fields operations will be put up for sale.

Prominent among them is the wholly-owned Gold Fields Mining Corporation (GFMC), which in very few years has grown from being the operator of a small gold mine in New Mexico to a major gold mining operation with two substantial and very low-cost mines in Nevada and California.

It is expected to produce about 400,000 troy ounces of gold this year at a cash cost in the region of $111 an ounce.

GFMC is worth about $1bn and Hanson might wait for a recovery in the currently-depressed gold market (widely expected at the end of this year) and then float the company.

And there should be no shortage of buyers if Hanson decides to put a "for sale" sign on GFMC.

The US company was one of the assets Minorco intended to keep if its bid for Gold Fields had been successful, so there is a fair chance that Minorco will join the potential purchasers.

There would also be many willing takers for Gold Fields' South African assets. The most important of these is a 38 per cent shareholding in Gold Fields of South Africa (GFSA) worth roughly $600m.

Rembrandt Holdings, which already owns 10 per cent of GFSA, has pre-emptive rights to buy 79 per cent of Gold Fields' holding but might not wish to increase its exposure to gold.

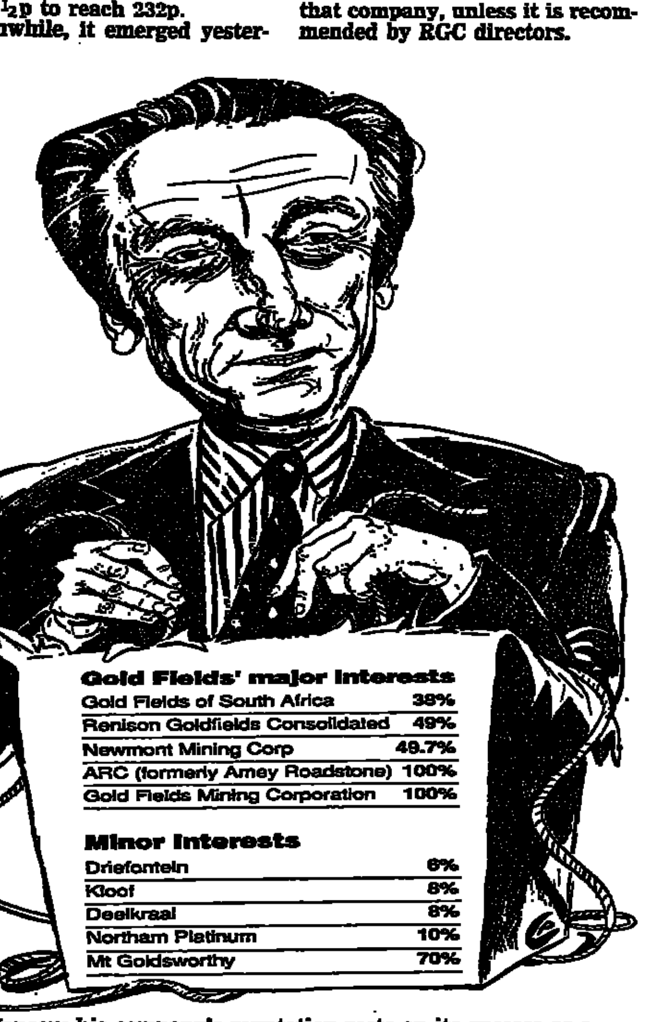
If that turns out to be the case, General Mining Union Corp (Gencor), which has already expressed an interest, would probably snap up the GFSA stake.

Gold Fields' 49.7 per cent interest in Newmont Mining, worth about $1.4bn, would also be a prime asset except that the shares are already very fully valued. Newmont owns 90 per cent of Newmont Gold, the biggest gold producer in the US, and 49 per cent of Peabody Coal, the largest coal miner in that country.

Among the leading candidates to buy the Gold Fields shareholding are two Canadian gold groups, American Barrick Resources and Placer Dome. But, as Ms Liz Dhillon, analyst with W I Carr, suggests: "Newmont is just far too expensive . . . At its current price Newmont would detract from the present value of any company which might purchase it."

Whatever the future of the Newmont shareholding, Hanson's bid and the other frenetic activity has focused attention on the mining sector and aroused the interest of the arbitrageurs.

Kleinwort's Mr Wellesley-Wood says: "We know that various arbs have booked their advance seats with near-5 per cent stakes in Alcoa (aluminium), Phelps Dodge (copper), and Reynolds Metal (aluminium). Investors had better ensure that they have booked seats too because, when the music stops, there will be fewer shares to sit on."



Lord Hanson: his company's reputation rests on its success as a dealer in corporate assets and Gold Fields offers clear break-up possibilities, for which there should be no shortage of buyers.

Reebok steps into power boating

By Alice Rawsthorn in London

REEBOK, the US sportswear company which was a Wall Street star in the fitness fad of the early 1980s, is venturing into the world of water sports, buying the Boston Whaler, one of the biggest powerboat manufacturers in the US, for $42m.

The acquisition will be Reebok's first foray outside its traditional territory of sports shoes and clothing.

The Boston Whaler is a familiar name in US boating, but, like other powerboat companies, it has recently suffered a slump in sales and profits.

Reebok thrived in the early 1980s thanks to the success of the Freestyle. One of the first sports shoes to be designed for women rather than men, it became the shoe for female fitness fanatics to wear for aerobics.

When the aerobics fad fizzled out, Reebok tried to find an alternative but failed to produce anything as successful as the Freestyle. The same company that had enjoyed effortless growth has also struggled against an uncompetitive currency and production problems.

Last year Reebok – in which Pentland Industries of the UK has a sizeable stake – suffered its first-ever fall in earnings, from $165m to $137m on sales of $1.79bn.

A few weeks ago it announced that earnings had also fallen in the second quarter of this year.

Reebok has been searching for acquisitions to broaden the base of its business. So far, it has stuck to sportswear by buying small companies, such as Avia and Rockport.

Mr Paul Duncan, chief financial officer, said Reebok sees itself as a "sports-oriented" group and seized the opportunity to buy the Boston Whaler when CML Holdings, the old owner, put it up for sale as part of its strategy of concentrating on speciality retailing.

The only hitch is that the market for powerboats – like that for aerobics shoes – is in the doldrums.

The combination of high interest rates and a sluggish stock market has deterred Americans from treating themselves to expensive toys like powerboats. The Boston Whaler broke even on sales that slipped by about 10 per cent to $60m in the year to July 31.

But Reebok is undeterred: both by the subdued state of powerboat sales and by the fact that, so far, its only experience of watersports has been with boating shoes.

Movement on Sea Containers bid

By Andrew Hill in London

STENA, the Swedish ferry operator, and Tiphook, the UK container rental group, are trying to break out of the legal deadlock in their $824m hostile bid for Sea Containers.

According to their latest filing with the Securities and Exchange Commission in New York, the predators have discussed with Sea Containers the possibility of buying some of the Bermuda-registered company's assets – containers and ferry routes.

But the predator companies still intend to proceed with their cash offer.

Disposal of certain assets is one of the defensive options being considered by Mr Jim Sherwood, Sea Containers' pugnacious president.

Others include a leveraged buy-out or recapitalisation of the group.

The filing also said that Stena was contemplating the sale of all or part of its 7.1 per cent stake in Sea Containers.

Such a move would put pressure on Mr Sherwood to come up with alternative proposals, or agree terms with the hostile bidders.

He has consistently claimed that his rescue plans could realise between $70 and $100 a share for Sea Containers investors, compared with the $50-a-share hostile offer, which was launched at the end of May.

He has also said he would never sell the business to Stena and Tiphook.

The latest proposals were discussed at a meeting between the three companies last Thursday, according to the filing, but the Tiphook/Stena camp stressed yesterday that these talks were preliminary.

Sea Containers is expected to file its own account of the meeting to the SEC shortly.

The predators' announcement should increase the pressure on Sea Containers' shareholders. The next closing date for the extended bid is tomorrow.

The possible sale of the Stena stake immediately drove the Sea Containers price down from $66 to around $64 in New York yesterday, the lowest price for about six weeks.

The Sea Containers bid reached a stalemate last month, with both sides apparently waiting for the outcome of Tiphook/Stena's legal action in Bermuda.

The supreme court there is being asked to decide whether Sea Containers broke Bermudan law by allowing its subsidiaries to buy about 20 per cent of the parent company's shares in March and April.

According to the latest Tiphook/Stena filing, Stena's shares could not be sold to Sea Containers or affiliates, under the amended terms of a stockholders' agreement.

VW tightens its pricing policy

By Andrew Fisher in Frankfurt

VOLKSWAGEN, the West German car group, responding to criticism about its pricing policy and anticipating a possible slowdown in the automobile market, has added more equipment to its European models while holding prices steady.

Mr Carl Hahn, chief executive, said the move would cost VW about DM300m ($158m), which it hoped it would more than recoup through increased sales and through customers trading up. Mr Werner Schmidt, the marketing director, said: "The balance will be positive."

The policy change, which excluded the Audi and Seat subsidiaries, was designed to combat adverse publicity over pricing and equipment levels and to make it easier for customers to assess what they were getting for their money.

Mr Schmidt added that, by reducing the number of cars with specially priced equipment packages and by increasing the content of its standard models, the company was also attempting to minimise price distortions for its dealers. VW would benefit on the cost side by trimming model numbers and by gaining favourable prices for large-scale parts purchases.

The new policy will be implemented in West Germany this month, having already been introduced in other European countries. The basic Golf, costing DM16,960, will be dropped, while the next up the range, the Golf CL, will be offered at the basic model's price. It previously cost more than DM18,000. The sporty Golf GTI will still cost DM27,430, but will have DM1,170 worth of extra equipment.

The group has already announced a 30 per cent rise in group net profits to DM403m in the first half, with pre-tax profits increasing 76 per cent to DM1.4bn. Turnover rose by 14 per cent and the rise in production costs was a slower 10 per cent. The workforce has fallen by nearly 6,000 this year.

VW last raised prices, by 1.9 per cent, at the turn of the year. Mr Hahn said competitors had already acted to offer customers more value for the same money.

Mr Schmidt said that, after seven years of rising sales, the European car market could be expected to slow down.

"Those who still want to grow have to offer their customers something new." VW was acting now rather than waiting until the market declined, avoiding allegations of panic measures.

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INTERNATIONAL COMPANIES AND FINANCE

WH Smith fires directors of music offshoot

By John Ridding in London

WH SMITH, the UK retail group, has dismissed without compensation all four of the directors of its Our Price music subsidiary which it had accused of attempting to set up a competing music and video business.

Mr Barry Hartog, managing director, and Mr David Cain, operations director, were dismissed late on Friday. Mr Gary Nesbitt and Mr Michael Isaacs, the two original founders of Our Price, were dismissed yesterday.

Mr Frank Daranjo, buying manager and the only non-director accused of being in breach of contract, remains suspended pending further investigation.

WH Smith says that documents relating to the alleged business scheme have now been seized from all five and that they are being examined by lawyers.

The five were suspended on Friday following the granting of a High Court injunction preventing them from setting up a rival business.

WH Smith claims it has a business plan drawn up by the men in question and that it has a sworn statement alleging that information concerning Our Price's expansion plans may have been withheld from it.

A spokeswoman for WH Smith said its plans to expand its music and video retail interests had "been affected in the short term." She said the company was still pursuing its claims for damages.

Of the five, only Mr Cain and Mr Hartog could be contacted yesterday. Mr Cain declined to comment on the allegations but said his dismissal had "come as a shock" and that he regarded WH Smith's action as "draconian."

"I have been in contact with my solicitor and I intend to fight the dismissal as far as I can."

Mr Cain that he would be taking action for wrongful dismissal and also appealing against the injunction, which prevents him from working for a competing business for 12 months.

Mr Hartog said he "had been ordered not to say anything by the court."

Mr Malcolm Field, group managing director at WH Smith, said that "as we expected, the reaction of Our Price employees and executives has been one of outrage and fury.

"They are determined to show that the business will be every bit as successful in future as it has been under our management to date."

Fiskars in Italian link

By Enrique Tessieri in Helsinki

FISKARS, Finland's leading scissors, knives and garden shears company, has acquired Coltellerie Montana, an Italian cutlery manufacturer based in Milan.

Fiskars officials said Coltellerie Montana was Italy's leading company in the field and employed about 100 people.

Fiskars' scissors, knives and garden shears operations made FM495m ($115.9m) in net sales last year. Total net sales for the company, which also has electronics and investment interests, reached FM1.25bn in 1988.

For the past two years Fiskars has been active in acquiring an important foothold in the Western European scissors, knives and garden shears market.

● **Enso-Gutzeit**, the Finnish forest products group, has acquired 57.5 per cent of Berghuizer Papierfabriek, the Dutch paper manufacturer, Reuter reports from Helsinki.

Enso will buy 300,000 shares from leading shareholders at an unspecified price. The Dutch company will also sell 740,000 new shares to Enso at Fl 73 each, or Fl 54m ($25.2m) in total.

Philips near to deal on loss-making defence unit

PHILIPS, the Dutch electronics group, is in advanced talks to sell all or part of its loss-making Hollandse Signaalapparaten defence electronics subsidiary to Thomson-CSF of France, industry observers in the Netherlands say, AP-DJ reports from Amsterdam.

The negotiations between Philips and the 56 per cent owned affiliate of state-owned Thomson could be completed within a few weeks, although officials urged caution when assessing the delicate talks.

One said there were still a few issues which had to be negotiated after the summer holiday period was over.

In July Philips said it was discussing with several European groups the possibility of combining defence-related operations as part of an industry-wide trend toward consolidation in Europe. In the past the company has indicated it would be interested in taking on a partner in Hollandse Signaal, which is estimated to have annual sales of more than Fl 1bn ($469m).

Philips, which owns 99 per cent of Hollandse Signaal, declined to comment on the talks with Thomson.

WR Grace sells equipment arm

W.R. GRACE, the US chemicals group, has signed a definitive agreement with Paris-based Compagnie Française *de l'Afrique Occidentale* (CFAO) for the sale of Grace Equipment, which rents and sells equipment primarily to the petrochemical and construction industries, AP-DJ reports.

The transaction, valued at $305m, is expected to be finalised before the end of the 1989 third quarter. The sale has received the approval of both companies' boards and is subject to the receipt of certain US government approvals.

In addition to the proposed sale of its Grace Equipment unit, which W.R. Grace announced earlier this year, the company has previously announced a proposed initial offering of about 15 per cent of its energy business.

Commerzbank seizes Allfinanz initiative

The West German bank's range of services is expanding swiftly, writes Haig Simonian

Commerzbank, West Germany's third biggest financial institution, has not been hiding its light under a bushel this year – even though its profits for the first half of 1989 may have been overshadowed by those of Deutsche Bank and Dresdner Bank, its two bigger domestic rivals.

In the past two months Commerzbank has unexpectedly raced ahead of its competitors in *Allfinanz* – the catchphrase for wide-ranging financial services under one roof – with a deal to buy 50 per cent of DBV & Partner, a national insurer. That should be followed by a substantial stake in DBV's parent company, one of Germany's bigger insurance groups.

Nor has the bank been slouching outside Germany. If all goes to plan its stalled initiative to take reciprocal stakes in like-minded European banks could receive a boost, with a holding in Banco di Roma, Italy's third biggest bank, coming before year's end.

These events highlight the danger of underestimating Commerzbank which, under Mr Walter Seipp, chief executive since May 1981, has advanced significantly since the severe difficulties caused by mismatched assets and liabilities in 1979 and 1980.

After buying 10 per cent of Madrid-based Banco Hispano Americano in 1984, Commerzbank's European co-operation strategy has looked a bit tarnished.

The Spanish bank is just one of its three partners, alongside Crédit Lyonnais and Banco di Roma, in the Europartners banking group. However, rather than being the first of a web of reciprocal stakes bringing the group closer together, the Commerzbank-Hispano link, recently underlined by a Spanish decision to take 5 per cent in Commerzbank, remains the only reciprocal deal to date.

The problem has been politics rather than finance, explains Mr Seipp. Commerzbank's hopes of becoming one of the "core shareholders" in Crédit Lyonnais, the third biggest bank in France, were dashed by the return of a Socialist Government in Paris which overturned its predecessor's privatisation policy.

Moreover, Crédit Lyonnais's own current top executives may be pursuing different priorities to those of their predecessors. The French bank's recent decision to buy a large stake in Credito Bergamasco in Italy, along with talk that Crédit Lyonnais would like to buy a 100-branch operation in Spain, appears to go against the grain of the original Europartners' agreement not to compete with one another in retail banking in their home markets.

Walter Seipp, waiting for a clear political signal

Mr Seipp is wary of discussing the strategy of his fellow banks. He admits the philosophy has always been that in retail banking it is more sensible to use branch networks which are already in existence than to set up branches of one's own.

But given recent reports that Istituto Mobiliare Italiano (IMI), the Italian state-owned credit institution, could be interested in taking a stake in Banco di Roma, the chances of Commerzbank also coming on board have risen sharply.

Having come within a whisker of buying into Crédit Lyonnais, Mr Seipp choses his words carefully regarding the current speculation about Banco di Roma. Commerzbank is still waiting for "a clear political signal" from Rome that the Government is willing to encourage outside participation in the bank, he says.

"I would see this [a possible IMI stake in Banco di Roma] as a strengthening." As a result, "I wouldn't rule out that we would be ready to develop a closer relationship with Banco di Roma, should it be strengthened in this way."

When that might happen remains unclear. However, change could come as early as this autumn, although the timing depends mainly on politicians, Mr Seipp stresses.

Even less clear is whether Commerzbank would be the only foreign partner in Banco di Roma or whether there might be room for another member of the Europartners group, such as the well-capitalised Crédit Lyonnais. Its stake in Credito Bergamasco has probably muddied the waters but, says Mr Seipp cautiously, the eventual decision "is something between Crédit Lyonnais and Banco di Roma."

Domestically he rejects criticism that Commerzbank lagged behind its bigger rivals in its *Allfinanz* strategy. "We just spent a longer time thinking about it."

Commerzbank's first step came last December, when it bought 40 per cent of Leonberger Bausparkasse, Germany's fourth biggest private-sector home finance operation.

Moving into Leonberger illustrates the increasing efforts of most big German banks to seek new ways to reach potential customers. For, like the other home finance operations and insurance companies which have become the subject of banks' attention, Leonberger runs a sizeable independent sales network.

Linking with Leonberger, which has about 800 agents, has already started to pay off, Mr Seipp says. The bank has accounted for 15 per cent of Leonberger's new business since January, while Commerzbank itself has noticeably gained from the link.

But the bank sees no need to cement the relationship by moving to full control. "We have very big, very close relations with Leonberger and with the other big shareholders in the group," Mr Seipp says.

"Taking majority control would imply we want to run the show, rather than leaving it up to the present management, which is more capable than us."

Thus making a success of the acquisition is "less a question of having a majority of the capital than of ensuring successful day-to-day co-operation between Leonberger's salesman and our branches."

Relations with DBV, the second strand in Commerzbank's *Allfinanz* web, developed more fortuitously, Mr Seipp admits. The bank has had "close contacts" with the company for many years through ADIG, the fund management operation in which both are shareholders.

But early contacts with DBV, which was set up in 1871 to insure civil servants and only expanded into mass business in the 1970s, arose primarily from the corporate finance side.

The group, which is wholly state-owned and had total premiums of DM1.85bn ($978m) last year, was looking for a bank to take it private. Commerzbank's offer of nationwide coverage while not being tied down by insurance plans or strong links of its own – in contrast to its two big rivals – made it an obvious candidate to lead the flotation. And according to the deal now struck, Commerzbank will retain a sizeable stake in DBV after it goes public.

The solution could hardly have suited Commerzbank better. The first step in the relationship will come through a DM150m 50 per cent stake in DBV & Partner, a subsidiary which had total premium income of DM773m last year. But joining forces with DBV itself, which operates under DBV Leben as its ultimate holding company, is the real prize.

Preparatory work for privatising DBV is now under way in the Economics Ministry in Bonn. Although it could be another two years until the group finally comes to the market, Mr Seipp is in no doubt that the insurer, which has about 1,400 main agents and a further 14,000 freelance representatives, is worth waiting for.

Firstly, it will offer the bank a stake in one of the very few sizeable, but still independent, German insurers. Secondly, Mr Seipp thinks that DBV is a company which, after years in the public sector, is full of untapped potential. "There will be a different type of animal after privatisation," he stresses.

Queries on just how big a stake Commerzbank will eventually retain elicits only a smile from Mr Seipp. A 25.1 per cent holding would be an obvious minimum, as that would constitute a "blocking minority" under German law.

All he says is that there might be an "option to build in a European component" too. Whether that means making room within the 25 per cent for some of Commerzbank's European partners, or whether one or more of them takes additional equity over and above Commerzbank's own commitment, is not mentioned.

GERMANY'S BIG THREE BANKS
(First half 1989 group earnings)

Bank	Partial operating profit(DMm)	Interest income (DMbn)	Fee income (DMm)	Total assets* (DMbn)
Deutsche Bank	1669	3.72	1365	203.0
Dresdner Bank	878	2.07	874	128.3
Commerzbank	820	1.49	555	122.1

* Parent company

RAS

RIUNIONE ADRIATICA DI SICURTA'
MILAN - ITALY

The Company's Accounts for the 150th year were examined and adopted at its Annual General Meeting held in Milan on June 29, 1989. They reflect a 1988 gross profit of Lit. 131 billion (as against Lit. 109 billion in 1987) and a net profit of Lit. 61 billion (+19.2%) after appropriations of Lit. 70 billion to special reserves.

Dividends declared were Lit. 300 per ordinary share. As to savings shares, the General Meeting resolved the immediate distribution of a dividend of Lit. 320 per share. A special Shareholders' Meeting to be held on September 5, 1989 may resolve the payment of further Lit. 40 per share that have been allocated to a special reserve. For the year ended December 31, 1987 dividends of Lit. 300 per savings share were declared.

In Italy, premiums collected in the Non-Life Branch amounted to Lit. 1,823 billion (+12.7% over the previous year). In the Life-Branch the increase was 18.1% on a homogeneous basis.

Company's Insurance Reserves grew by Lit. 625 billion, and reached Lit. 4,479 billion.

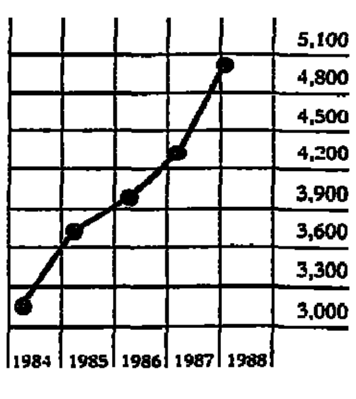
The Reserve for Catastrophic Risks that the Company decided to establish as a further guarantee of the quality and fairness of its services increased from Lit. 104 billion to Lit. 174 billion. The solvency margins amount to Lit. 1,159 billion, and are Lit. 851 billion above law requirements.

Company's investments totalled Lit. 4,602 billion (+13.2%), and provided a net profit of Lit. 422 billion.

HIGHLIGHTS OF ACCOUNTS
RAS ONLY, DOMESTIC AND FOREIGN BRANCH OFFICES
(in billion lire)

	1988
Premium Income	2,207.3
Investment Income	484.2
Claims, Maturities and other Benefits paid	1,125.7
Insurance Reserves, Non-Life Branch	2,224.1
Insurance Reserves, Life Branch	2,254.8
Life Sums assured	13,919.7
Share Capital	155.0
General Reserves	995.7
Profit for the Year	61.0

PREMIUM INCOME
OF THE RAS GROUP
IN ITALY AND ABROAD
(in billion lire)



SALES OF THE
RAS GROUP
Premium income breakdown in 1988
(in billion lire)

RAS (in Italy and abroad)	2,207.3
Other Italian Group Companies	595.0
Foreign Group Companies	2,244.6
Total premiums	5,046.9

Ras Group Life Business
Total Sums assured — Lit. 27,348 billion

United States Offering
2,100,000 Shares

The First Boston Corporation | Shearson Lehman Hutton Inc.
Donaldson, Lufkin & Jenrette Securities Corporation | Prudential-Bache Capital Funding | Dean Witter Reynolds Inc.
Black & Company, Inc. | Gallagher Capital Corp. | Harper, McLean & Company
Mabon, Nugent & Co. | Paulson Investment Company, Inc. | Ragen MacKenzie Incorporated

International Offering
650,000 Shares

Credit Suisse First Boston Limited | Shearson Lehman Hutton International
BNP Capital Markets Limited | Cazenove & Co.
Deutsche Bank Capital Markets Limited | Swiss Bank Corporation Investment Banking

INTERNATIONAL COMPANIES AND FINANCE

Swiss drug group jumps 34% to $15.1m net

By William Dullforce in Geneva

ARES-SERONO, the Geneva-based manufacturer of pharmaceuticals and diagnostic products, yesterday posted a 34 per cent climb in net earnings to $15.1m in the second quarter compared with the corresponding period last year.

Sales, at $131m, were 27 per cent ahead. Over the first six months the group achieved a 31 per cent advance in net income to $29.7m on worldwide sales of $250m, up 21 per cent on the first half of 1988.

Last year, Ares-Serono, which is traded on Swiss stock exchanges but has its operating quarters in Boston, Massachusetts, raised its shareholders' dividend from $20 to $22 per bearer share and from $8 to $8.8 per registered share, after reporting a 37 per cent increase in net profit to $48m.

At the half-way stage this year, net earnings amounted to $54.61 a share compared with $41.84 for the first six months of 1988.

Sales of ethical pharmaceuticals rose by 9 per cent to $196m, a growth of 18 per cent after adjusting for currency fluctuations. Sales in Italy were affected by the Government's increase in patients' part payments for drugs, but Ares-Serono reported strong results in the US, Spain and the UK.

Turnover in diagnostic products increased from $22m to $42m, while sales of over-the-counter products more than doubled to $12.8m.

During the first half, Ares-Serono bought Integrated Genetics' technology for making human fertility hormones for $12m in the US. It started Spain's first genetic engineering plant near Madrid and doubled its research and development capacity in Italy with the opening of a new building at Ardea, near Rome.

The company also said that during the first half it achieved registration of Saizen, a human growth hormone that is Ares-Serono's first recombinant product, in several European countries. It also launched its own sales forces in Japan and Belgium.

Hanimex seeks takeover targets as profits slip 3%

By Our Financial Staff

HANIMEX, the Australian photographic equipment group which is due to be sold to Gestetner of the UK, said yesterday it was looking out for acquisitions in related areas.

Bankers to Chase Corporation, the troubled New Zealand investment group, agreed late last week to accept an offer worth some A$150m (US$) for Hanimex, which Chase controls.

Hanimex itself said yesterday only that the anticipated clarification of its ownership was expected to have a positive impact, adding that it was seeking acquisitions in imaging-related activities.

It said this while reporting net profits of A$28.05m for the year to June, down 3.3 per cent. The performance reflected a fall in sales and other revenue to A$521m from A$552.5m in what it described as a competitive market.

Under the deal endorsed by Chase creditors, a joint venture between Gestetner and AFP, the UK-incorporated Australian investment group which manages the British reprographics company, is paying A$2 per share for Hanimex. It will then become a full but free-standing subsidiary of Gestetner.

Hanimex, which is paying a total dividend for the latest year of 17 cents, said a combination of the lower Australian dollar since June, beneficial arrangements with suppliers, new products, and prospective lower interest rates in 1990, should enable trading proift to be maintained. Operating earnings in 1988-89 were flat at A$35.96m against A$35.84m.

Danish mortgage reform likely

By Hilary Barnes in Copenhagen

DENMARK's mortgage credit associations, which are among the largest of their kind in Europe, will be able to become limited companies by legislation which the Government is expected to put forward in October, when the Folketing reopens after the summer holiday.

The Government withdrew a bill last year when the associations criticised it for being too restrictive to enable them to meet the challenge of financial services competition in Europe.

The Danish mortgage associations are self-owning. They finance housing and other building through the issue of bonds, which are quoted on the Copenhagen stock exchange.

The two largest associations, Kreditforening Danmark and Nykredit, have total assets of about DKr300bn ($40.7bn) and reserves of about DKr16bn.

Under present legislation, they are prevented from diversifying into other financial services, but if they choose a holding company structure under the coming legislation they will be able to move into insurance and banking.

The conversion into joint stock companies is also regarded as necessary to enable the associations to meet the European Community's new 8 per cent equity ratios for financial services companies by raising outside capital.

However, control of the associations will be able to be vested in foundations controlled by borrowers, which means that the present system of control will in effect be retained.

Telefonica advances to Pta43.1bn

By Our Financial Staff

TELEFONICA, the Spanish telecommunications group, yesterday announced a rise in second-quarter pre-tax profits to Pta43.1bn ($364m) from Pta39.1bn a year earlier.

The state-controlled company, which has been criticised in Spain for failing to address delays in improving the phone service, boosted turnover from Pta298.8bn to Pta344.5bn.

The company's operating profit before financial expenses was up from Pta74.9bn in the 1988 period to Pta83.5bn, and operating profits rose from Pta24.4bn to Pta29.6bn. Other income was down from Pta14.7bn to Pta13.5bn.

First Interstate to sell offshoot to Orix of Japan

By Our Financial Staff

FIRST INTERSTATE Bancorp, the US West Coast-based banking group, has agreed to sell Commercial Alliance Corporation, a wholly-owned capital equipment finance subsidiary, to Orix Corporation, Japan's largest leasing company, for $190m.

Orix has been diversifying its interests, with a growing international leasing business and resort developments, and has been attempting to lift its corporate profile in the past year through a name change from Orient Leasing and the purchase of a well-known Japanese baseball team.

First Interstate indicated that the cash deal would be closed in the third quarter, subject to the approval of Japan's Ministry of Finance, and that the sale would allow the company to concentrate more closely on its core businesses, in particular, consumer banking in the west of the US.

"Our strategic programme is well established and the sale of Commercial Alliance will serve to reinforce its positive trends," said Mr J.J. Pinola, chairman of First Interstate. "Commercial Alliance is a well-managed and profitable business, but it no longer fits our strategic plan."

Two months ago Orix, which derives about 60 per cent of income from leasing, said that it would take a $80m, 30 per cent stake in Commodities Corporation, a Chicago-based futures fund manager, in preparation for the expansion of Japanese futures markets.

Fish cafés to go private

By Our Financial Staff

JERRICO, a Kentucky operator of fish restaurants, is to be taken private in a deal worth some $620m that involves management and two New York investment firms.

The Nasdaq quoted company has about 1,500 Long John Silver's Seafood Shoppes, mainly in southern US states. Nearly a third of the outlets are franchised.

The overall value of the $24.25 per share accord with DJS/Inverness and Co and Castle Harlan includes refinancing of existing Jerrico debt.

Mr Warren Rosenthal, Jerrico chairman, said that the company's board approved the agreement unanimously, and that the investment group intended to retain and offer equity to senior management.

Resurgence at Canadian Tire continues

By Robert Gibbens in Montreal

CANADIAN TIRE, a Toronto-based national chain of stores selling car parts, sports goods and hardware, showed a 22 per cent gain in first-half earnings on a 12 per cent increase in revenues.

The strength came from the store operations and the property division, along with changes in depreciation. The results confirmed the company's resurgence under new senior management — a long-standing battle over the Billes family's control has ended in stalemate.

Second quarter net profit was C$38.8m (US$33m) or 48 cents a share, up from $31.8m or 35 cents a year earlier. Revenues were $785m against $699m.

First-half earnings were C$71.5m or 79 cents a share, up from $58.7m or 65 cents, on revenues of $1.4bn against $1.3bn.

The only weak sectors were the petroleum products division and the retail finance subsidiary.

At Goodyear Canada, first-half net profit dropped 67 per cent to $2.8m or $1.10 a share, though revenues climbed 15 per cent to $446m.

The second quarter, usually the strongest, showed net income of $5.4m or $2.11 a share, up 19 per cent from a year earlier. This rise was put down to a strong tyre market and gains in car service centres.

● The construction boom in Ontario pushed second-quarter earnings at St Lawrence Cement up 5 per cent to C$24.4m or 61 cents a share on sales of $205m, up 6 per cent.

First-half profit was up 8 per cent to $27.4m or 68 cents a share, on sales of $312m, up 8 per cent. The company is controlled by the Swiss Holderbank group.

● Anglo-Alpha, the South African cement maker controlled by Holderbank, lifted first-half sales and profits but has reduced its earlier earnings growth forecast in response to an economic slowdown, writes Jim Jones in Johannesburg.

Turnover rose to R291m (US$111m) from R243m, and pre-tax profit increased to R70.9m from R60.6m. Net earnings were 125.9 cents a share against 107.9 cents and the interim dividend has been raised to 40 cents from 30 cents.

The directors said that the slower economy had reduced demand from the building and construction industries for cement by the second quarter. They added that they expect the poor demand to persist for the rest of the year.

At the start of the year the board forecast earnings growth of 15 per cent but have now reduced their forecast to 10 per cent.

THE PARTNERS OF
ALLEN ALLEN & HEMSLEY
AUSTRALIAN SOLICITORS
REGRET TO ANNOUNCE THAT THEIR
SENIOR PARTNER

ADRIAN PETER WYCHE
HENCHMAN

DIED ON 31ST JULY, 1989
IN HOSPITAL IN SAN FRANCISCO

NOTICE TO SHAREHOLDERS

CREDIT NATIONAL

A Société Anonyme with a share capital of FF884,290,000.
Head Office: 45, rue Saint-Dominique – PARIS 75007
R.C.S. PARIS B 542 044 524

Pursuant to the authority granted by an Extraordinary General Meeting of CREDIT NATIONAL (the "Company") on 15th February, 1989, it was resolved, at a meeting of the Board of Directors held on 25th July, 1989, to increase the nominal share capital of the Company from FF842,181,000 to FF884,290,000 by transferring the sum of FF42,109,000 from reserves to share capital and to issue one new bonus share for every 20 existing shares based on a share capital of FF842,181,000, a shareholder having waived his rights in relation to 5 of his shares. The new shares will be issued free of charge at the offices of BANQUE PARIBAS and at the registered office of the Company (for registered shares ("titres nominatifs purs")) from 16th August, 1989.

Form of shares

The shares will be issued in bearer or registered form at the option of the shareholders. In accordance with the provisions of article 94-II of law no. 81-1160 of 30th December, 1981 and decree no. 83-459 of a decree dated 2nd May, 1983 relating to the regulations governing securities, rights of shareholders will be represented by registration in an account held in their name:

- in the case of bearer shares, at the offices of an approved intermediary of their choice; or
- in the case of registered shares, at the offices of the Company, and, if they so wish, an approved intermediary of their choice.

Ranking of the new shares

The bonus shares will rank equally with the existing shares of the Company and will be treated in respect of distribution of profits as if created and issued on 1st January, 1989.

NOTICE TO HOLDERS OF "A" AND "B" WARRANTS ISSUED IN APRIL/MAY 1989

Notice is hereby given to warrantholders that, pursuant to a decision of the Board of Directors dated 25th July, 1989 to increase the nominal share capital of the Company by transferring the sum of FF42,109,000 from reserves to share capital and to issue one bonus share for every 20 existing shares:–

- 2 "A" warrants will entitle holders to subscribe for 1.05 shares at a price of FF1,250 from 16th August, 1989 to 30th September, 1991 inclusive;
- 2 "B" warrants will entitle holders to subscribe for 1.05 shares at a price of FF1,300 from 16th August, 1989 to 30th September, 1992 inclusive.

NOTICE TO HOLDERS OF BONDS REPAYABLE IN SHARES OF THE COMPANY ISSUED IN APRIL/MAY 1989

Notice is hereby given to holders of bonds repayable in shares of the Company that, pursuant to a decision of the Board of Directors dated 25th July, 1989 to increase the nominal share capital of the Company by transferring the sum of FF42,109,000 from reserves to share capital and to issue one bonus share for every 20 existing shares held, all payments of the principal amount of the bonds will be made by delivery by the Company of ordinary shares of the Company at the rate of 1.05 shares for each FF1,200 principal amount of the bonds.

Unless previously repaid at the bondholders' option on or after 1st September, 1989, the bonds will be repaid by delivery of shares on 1st January, 1995.

THE BOARD OF DIRECTORS

SPAREKASSEN SDS
(A savings bank established under Danish Banking Law)

NOTICE

to the holders of Sparekassen SDS, ECU 42,000,000
10½ per cent. Subordinated Bonds due 1991

NOTICE IS HEREBY GIVEN that because of the lack of a quorum at the first meeting convened for Monday 7th August, 1989, an adjourned meeting of the holders ("the Bondholders") of the above-mentioned bonds ("the Bonds") convened by the Board of Management of Sparekassen SDS (the "Issuer") will be held at 9.00 a.m. on Tuesday 15th August, 1989 at the offices of the Issuer, Kongens Nytorv 8, 1094 Copenhagen K, Municipality of Copenhagen, Denmark, for the purpose of considering and, if thought fit, passing a Resolution on terms outlined below.

The bonds were issued on 5th December, 1984. Each bond is in bearer form and has a nominal value of ECU 1,000.

Following recent changes in Danish legislation, the Issuer proposes to change its status from a mutual society to a limited company. To effect such a change, the Issuer would merge into Sparekassen SDS A/S ("SDS A/S"), a new Danish limited company acquired specially for the purpose. Under the terms of the proposed merger, SDS A/S would become the universal successor to the Issuer and would have transferred to it all the assets, liabilities, rights and obligations of the Issuer. The Issuer would be dissolved but creditors of the Issuer would remain in the same position vis-à-vis SDS A/S as they are now with respect to the Issuer.

The Bondholders will be asked to consider the following agenda:

i) the amendment of the Terms and Conditions relating to the Events of Default of the Bonds, and
ii) the approval of the merger of SDS into SDS A/S.

To have the right to attend or to be represented at the Meeting, or to vote by post, Bondholders must deposit their Bonds either at the registered office of the Issuer or with a bank, financial establishment or broker, and procure that the deposit receipt delivered by such bank, financial establishment or broker is received by the Issuer at its registered office by Friday 11th August, 1989. Such deposit may also be notified directly to the Issuer by the bank, financial establishment or broker with whom the Bonds have been deposited.

Bondholders who wish to vote by post must request by registered mail a form to that effect. Such request must be received at the registered office of the Issuer by Thursday 10th August, 1989. The Issuer will send appropriate forms by return of post. Only those postal votes received by Monday 14th August, 1989, will be counted.

No quorum will be required at this adjourned Meeting. Decisions at the Meeting will be made by a simple majority of the votes cast by Bondholders present or represented and entitled to vote. If passed, the Resolution will be binding upon all the Bondholders, whether present at the meeting or not, and upon all Couponholders.

Copies of the Agency Agreement dated 26th November, 1984 between the Issuer and Société Générale Alsacienne de Banque, Luxembourg Branch ("the Principal Paying Agent"), the Prospectus dated 26th November, 1984 prepared in connection with the issue of the Bonds, the Merger Plan, the Merger Report, the report of the external auditors of the Issuer, the Resolution, proxy forms and other documents referred to in this Notice are available for inspection at, and may be obtained by Bondholders on written request from, the registered office of the Issuer or the principal office of the Principal Paying Agent which are:

The Issuer:	The Principal Paying Agent:
Sparekassen SDS, Kongens Nytorv 8, 1094 Copenhagen K, Municipality of Copenhagen, Denmark.	Société Générale Alsacienne de Banque, Luxembourg Branch, 15 Avenue Emile-Reuter, Luxembourg-Ville, Grand Duchy of Luxembourg.

The Board of Management
Sparekassen SDS

BANK OF NEW ZEALAND

(a company incorporated under the Companies Act 1955 of New Zealand) (the "Bank")

NOTICE OF ADJOURNED MEETING

of the holders of the outstanding U.S.$50,000,000 11⅜ per cent. Capital Notes 1993 of the Bank (the "Noteholders" and the "Notes" respectively).

NOTICE IS HEREBY GIVEN to the Noteholders that the Meeting of the Noteholders convened by the Bank for Friday, 4th August, 1989 by the Notice dated 13th July, 1989 and published in the Financial Times on that date was adjourned through lack of a quorum and that the adjourned Meeting will be held at the offices of S.G. Warburg Securities, 1 Finsbury Avenue, London EC2M 2PA, England on Wednesday, 23rd August, 1989 at 10.00 a.m. (London time) for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed (the "Trust Deed") dated 24th March, 1983 made between the Bank and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the Noteholders (as modified by the First Supplemental Trust Deed dated 30th January, 1987 made between the same parties) and constituting the Notes.

EXTRAORDINARY RESOLUTION

"THAT this Meeting of the holders of the outstanding U.S.$50,000,000 11⅜ per cent. Capital Notes 1993 of Bank of New Zealand (the "Notes" and the "Bank" respectively) constituted by the Trust Deed dated 24th March, 1983 (the "Trust Deed") made between the Bank and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Notes (the "Noteholders") (as modified by the First Supplemental Trust Deed dated 30th January, 1987 made between the same parties) hereby:–

(1) assents to the modification of the Terms and Conditions of the Notes as appearing on the reverse thereof and in the Second Schedule to the Trust Deed (modified as aforesaid) by the deletion of Condition 9(vii) thereof and the substitution therefor of the following new Condition 9(vii):–

"(vii) if Her Majesty the Queen in right of New Zealand ceases beneficially to own, directly or indirectly, at least the majority of the issued shares in the ordinary capital of the Bank:";

(2) assents to the modification of Clause 2(F) of the Trust Deed (modified as aforesaid) by the deletion therefrom of the words "Her Majesty the Queen in right of New Zealand ceases beneficially to own, directly or indirectly, at least two-thirds of the shares in the ordinary capital of the Bank" and the substitution therefor of the following words:–

"Her Majesty the Queen in right of New Zealand ceases beneficially to own, directly or indirectly, at least the majority of the issued shares in the ordinary capital of the Bank";

(3) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders and the holders of the Coupons appertaining to the Notes in bearer form against the Bank involved in or resulting from the modifications referred to in paragraphs (1) and (2) of, and the single supplemental payment referred to below in, this Resolution: and

(4) authorises and requests the Trustee to concur in the modifications referred to in paragraphs (1) and (2) of, and the single supplemental payment referred to below in, this Resolution and, in order to give effect thereto, forthwith to execute a Second Supplemental Trust Deed in the form of the draft produced to this Meeting and for the purposes of identification signed by the Chairman thereof with such amendments (if any) thereto as the Trustee shall require:

in consideration of a single supplemental payment by the Bank on 1st March, 1990 of the sum of U.S.$37.50 per U.S.$5,000 in principal amount of the Notes, such sum to be payable against surrender of the Coupon appertaining to each Note in bearer form maturing on such date in addition to the interest payable thereon and otherwise in accordance with the provisions of Condition 5 of the Notes relating to payments of interest thereon."

Condition 9(vii) of the Terms and Conditions of the Notes (as modified by the First Supplemental Trust Deed) presently provides that it shall be an Event of Default upon the happening of which the Notes would, subject only to notice by the Trustee, become immediately due and repayable at par together with accrued interest "if Her Majesty the Queen in right of New Zealand ceases beneficially to own, directly or indirectly, at least two-thirds of the shares in the ordinary capital of the Bank" provided the Trustee shall be deemed to be of the opinion that such Event is materially prejudicial to the interests of the Noteholders. Clause 2(F) of the Trust Deed (as modified by the First Supplemental Trust Deed) provides that the Trustee shall be deemed to be of such opinion unless immediately prior to such cessation there shall have been created for the benefit of the Noteholders in favour of the Trustee a valid and legally binding guarantee by a third party satisfactory to the Trustee (and in a form and manner so satisfactory) of the payment of the principal of and interest on the Notes and all other moneys payable under or pursuant to the Trust Deed. At present 84.25 per cent. of the issued ordinary capital of the Bank is beneficially owned by Her Majesty the Queen in right of New Zealand (the "Crown").

Concurrently with its recent announcement of a loss of NZ$649 million (after a provision for bad and doubtful debts of NZ$1,294 million) for the year ended 31st March, 1989, the Bank announced that it will raise additional capital of approximately NZ$605 million, of which NZ$600 million will be underwritten by the Crown. This programme involves the raising of approximately NZ$405 million by way of a rights issue of new ordinary shares to its existing shareholders and the issue of approximately NZ$200 million of new capital securities. The rights issue will be underwritten by the Crown to the extent of NZ$400 million. In the context of this rights issue the Crown has announced that it is putting arrangements in place for Capital Markets Limited, a public company whose shares are listed on the New Zealand Stock Exchange, to take up a substantial proportion of the Crown's entitlement to new ordinary shares. The precise amount, timing and form of the sale of approximately NZ$200 million of new capital securities has not yet been determined.

The completion of the NZ$405 million rights issue would thus have the effect of reducing the Crown's beneficial ownership of the issued ordinary share capital of the Bank to approximately 55 per cent. This would under present circumstances result in an Event of Default occurring under Condition 9(vii) of the Notes.

The Bank considers that the implementation of the capital raising programme will be beneficial to Noteholders since it will result in the Bank's capital exceeding the prudential guidelines of the Reserve Bank of New Zealand and the Bank for International Settlements, and also will establish a surplus of operating capital as a platform for strengthening the Bank's operations. If the proposed modifications are implemented, the Terms and Conditions of the Notes will provide that it will be an Event of Default if the Crown does not continue beneficially to own, directly or indirectly, the majority of the issued ordinary share capital of the Bank. The Bank considers that the relationship between itself and the Crown will not be materially changed as a result of the implementation of the capital raising programme.

Further details of the background to, and the reasons for, the proposed modifications are contained in an Explanatory Statement prepared by the Bank dated 13th July, 1989, copies of which are available for collection by Noteholders at the specified offices of the Paying Agents, the Registrar and the Exchange Agents set out below.

Having consulted S.G. Warburg Securities, the Bank accordingly convened the Meeting of the Noteholders referred to above for Friday, 4th August, 1989 to request their agreement by Extraordinary Resolution to the modifications referred to above, namely the substitution of a new Condition 9(vii) and a consequential modification to Clause 2(F), in consideration of the single supplemental payment by the Bank referred to above (together, the "proposal"). As mentioned above, such Meeting was adjourned through lack of a quorum and accordingly the Extraordinary Resolution falls to be considered at the adjourned Meeting, notice of which is set out above. The Bank and S.G. Warburg Securities consider that the proposal is fair and reasonable in the circumstances and, on the basis of available information, S.G. Warburg Securities recommends acceptance of the proposal by Noteholders.

The attention of Noteholders is particularly drawn to the quorum required for the adjourned Meeting which is set out in paragraph 3 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Notes), the First Supplemental Trust Deed, the draft Second Supplemental Trust Deed referred to in the Extraordinary Resolution set out above and the audited consolidated accounts of the Bank and its subsidiaries for the two financial years ended 31st March, 1988 and 1989 are available for inspection (and, in the case of the accounts, collection) by Noteholders at the specified offices of the Paying Agents, the Registrar and the Exchange Agents set out below.

In accordance with normal practice, the Trustee expresses no opinion on the merits of the proposal but has authorised it to be stated that it has no objection to the Extraordinary Resolution being submitted to the Noteholders for their consideration.

VOTING AND QUORUM

1. (a) Bearer Notes.
A holder of Notes in bearer form ("Bearer Notes") wishing to attend and vote at the adjourned Meeting in person must produce at the adjourned Meeting either the Bearer Note(s), or a valid voting certificate or valid voting certificates issued by a Paying Agent relative to the Bearer Note(s), in respect of which he wishes to vote.

A holder of Bearer Notes not wishing to attend and vote at the adjourned Meeting in person may either deliver his Bearer Note(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the adjourned Meeting in accordance with his instructions.

Bearer Notes may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euro-clear System or any other person approved by it, for the purpose of obtaining voting certificates or, until the time being 48 hours before the time appointed for holding the adjourned Meeting (or, if applicable, any further adjourned such Meeting), but not thereafter, giving voting instructions in respect of the relative Meeting. Bearer Notes so deposited or held will be released at the conclusion of the adjourned Meeting (or, if applicable, any further adjourned such Meeting) or upon surrender of the voting certificate(s) or, not less than 48 hours before the time for which the adjourned Meeting (or, if applicable, any further adjourned such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.

(b) Registered Notes.
A holder of Notes in registered form ("Registered Notes") wishing to attend and vote at the adjourned Meeting in person may do so whether or not he produces to the Chairman of the adjourned Meeting the Note(s) of which he is the registered holder.

A holder of Registered Notes not wishing to attend and vote at the adjourned Meeting in person may by a form of proxy (obtainable from any of the Paying Agents, the Registrar and the Exchange Agents at any of their specified offices set out below) signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation, appoint any person as a proxy to act on his or its behalf in connection with the adjourned Meeting (or, if applicable, any further adjourned such Meeting). To be valid, a form of proxy (together with the power of attorney (if any) or other authority under which it was executed or a notarially certified copy of such power or authority) must be delivered to the specified office of an Exchange Agent not less than 24 hours before the time appointed for holding the adjourned Meeting (or, if applicable, any further adjourned such Meeting).

Any holder of Registered Notes which is a corporation may by resolution of its directors or other governing body authorise any person to act as its representative (hereinafter called a "representative") in connection with the adjourned Meeting (or, if applicable, any further adjourned such Meeting).

2. Voting certificates issued and voting instructions given and the appointment of proxies for the Meeting convened for Friday, 4th August, 1989 will be valid for the adjourned Meeting unless they are, in the case of voting certificates, surrendered before, or, in the case of voting instructions and forms of proxy, revoked or amended by the time being 24 hours before, the time for which the adjourned Meeting is convened.

3. The quorum required at the adjourned Meeting is two or more persons present holding Notes or voting certificates or being proxies or representatives whatever the principal amount of the Notes so held or represented by them.

4. Every question submitted to the adjourned Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the adjourned Meeting or by the Bank or by two or more persons present holding Notes or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than one-fiftieth part of the principal amount of the Notes then outstanding. On a show of hands every person who is present in person and produces a Bearer Note or voting certificate or is a holder of a Registered Note or is a proxy or representative shall have one vote. On a poll every person who is so present shall have one vote in respect of each U.S.$5,000 in principal amount of the Note(s) so produced or represented by the voting certificate(s) so produced or in respect of which he is a proxy or representative or in respect of which he is the holder.

5. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three-fourths of the persons voting thereon upon a show of hands or, if a poll is duly demanded, then by a majority consisting of not less than three-fourths of the votes given on such poll. If passed, the Extraordinary Resolution will be binding upon all the Noteholders, whether or not present at the adjourned Meeting and whether or not voting, and upon all holders of Coupons appertaining to the Bearer Notes.

PRINCIPAL PAYING AGENT
Bankers Trust Company,
1 Appold Street,
Broadgate,
London EC2A 2HE.

OTHER PAYING AGENTS

Banque Indosuez Luxembourg, 39 Allée Scheffer, Luxembourg.	**Swiss Bank Corporation,** 1 Aeschenvorstadt, CH-4002 Basle.

REGISTRAR
Bankers Trust Company,
Corporate Trust and Agency Group,
Four Albany Street,
New York, NY 10015.

EXCHANGE AGENTS

Bankers Trust Company, Corporate Trust and Agency Group, Four Albany Street, New York, NY 10015.	**Banque Indosuez Luxembourg,** 39 Allée Scheffer, Luxembourg.

This Notice is given by
BANK OF NEW ZEALAND.
BNZ Centre,
1 Willis Street,
Wellington 1,
New Zealand.
Dated 8th August, 1989.

Issued by Bank of New Zealand through its London Branch which has applied to The Securities Association and is interim authorised under the Financial Services Act 1986. Persons who are in any doubt as to what action they should take as a consequence of this Notice should consult their investment advisers.

All of these Securities having been sold, this announcement appears as a matter of record only.

August, 1989

SMITH CORONA

14,750,000 Shares

Smith Corona Corporation

Common Stock

This portion of the underwriting was offered outside the United States by the undersigned.

2,750,000 Shares

Shearson Lehman Hutton International — Merrill Lynch International Limited

Amsterdam-Rotterdam Bank N.V. — Barclays de Zoete Wedd Limited — Credit Suisse First Boston Limited
Deutsche Bank Capital Markets Limited — Dresdner Bank Aktiengesellschaft — Hoare Govett Corporate Finance Limited
Nomura International — Paribas Capital Markets Group — N. M. Rothschild & Sons Limited
Salomon Brothers International Limited — J. Henry Schroder Wagg & Co. Limited
Swiss Bank Corporation Investment Banking — UBS Phillips & Drew Securities Limited

This portion of the underwriting was offered in the United States by the undersigned.

12,000,000 Shares

Shearson Lehman Hutton Inc. — Merrill Lynch Capital Markets

Bear, Stearns & Co. Inc. — The First Boston Corporation — Alex. Brown & Sons Incorporated
Dillon, Read & Co. Inc. — Donaldson, Lufkin & Jenrette Securities Corporation — Drexel Burnham Lambert Incorporated
Goldman, Sachs & Co. — Hambrecht & Quist Incorporated — Kidder, Peabody & Co. Incorporated
Lazard Frères & Co. — Montgomery Securities — Morgan Stanley & Co. Incorporated
PaineWebber Incorporated — Prudential-Bache Capital Funding — Robertson, Stephens & Company
Salomon Brothers Inc — Smith Barney, Harris Upham & Co. Incorporated — Wertheim Schroder & Co. Incorporated
Dean Witter Reynolds Inc. — Rothschild Inc.
Advest, Inc. — Sanford C. Bernstein & Co., Inc. — William Blair & Company — Blunt Ellis & Loewi Incorporated
J. C. Bradford & Co. — Dain Bosworth Incorporated — A. G. Edwards & Sons, Inc. — Ladenburg, Thalmann & Co. Inc.
Legg Mason Wood Walker Incorporated — McDonald & Company Securities, Inc. — Neuberger & Berman
Nomura Securities International, Inc. — Oppenheimer & Co., Inc. — Piper, Jaffray & Hopwood Incorporated
Prescott, Ball & Turben, Inc. — The Robinson-Humphrey Company, Inc.
Thomson McKinnon Securities Inc. — Tucker Anthony Incorporated — Wheat First Butcher & Singer Capital Markets
Arnhold and S. Bleichroeder, Inc. — Robert W. Baird & Co. Incorporated — Bateman Eichler, Hill Richards Incorporated
Boettcher & Company, Inc. — Brean Murray, Foster Securities Inc. — Cowen & Co.
Craigie Incorporated — Ferris, Baker Watts Incorporated — First Albany Corporation — First Manhattan Co.
First of Michigan Corporation — Furman Selz Mager Dietz & Birney Incorporated — Gabelli & Company, Inc.
Gruntal & Co., Incorporated — Howard, Weil, Labouisse, Friedrichs Incorporated — Interstate/Johnson Lane Corporation
Janney Montgomery Scott Inc. — C.J. Lawrence, Morgan Grenfell Inc. — Mabon, Nugent & Co.
Morgan Keegan & Company, Inc. — Needham & Company, Inc. — The Ohio Company
Parker/Hunter Incorporated — Rauscher Pierce Refsnes, Inc. — Raymond James & Associates, Inc.
Rodman & Renshaw, Inc. — Scott & Stringfellow, Inc. — Stephens Inc. — Stifel, Nicolaus & Company Incorporated
Wedbush Morgan Securities — AIBC Investment Services Corp. — Doley Securities, Inc.
Grigsby Brandford Powell Inc. — WR Lazard & Laidlaw Incorporated — Pryor, Govan, Counts & Co., Inc.

NOTICE OF PREPAYMENT

The Copenhagen County Authority

20,000,000 European Units of Account
8¾% 1979-1991 Bonds

In accordance with paragraph "Prepayment" of the Terms and Conditions of the Bonds, notice is hereby given that the *Copenhagen County Authority will prepay, on the next Interest* Payment Date, September 10, 1989, all the Bonds remaining outstanding at 100½% of their principal amount.

Payment of interest and premium due on September 10, 1989 and reimbursement of principal will be made in accordance with the Terms and Conditions of the Bonds.

Interest will cease to accrue on the Bonds as from September 10, 1989.

Luxembourg, August 8, 1989

The Fiscal Agent

KREDIETBANK
S.A. LUXEMBOURGEOISE

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 An AFBD member Reuters Code: IGIN, IGIO

FT 30	FTSE 100	WALL STREET
Aug. 1953/1962 +19	Aug. 2337/2347 +18	Aug. 2654/2666 +1
Sep. 1961/1970 +15	Sep. 2347/2357 +14	Sep. 2665/2677 +2

Prices taken at 5pm and change is from previous close at 9pm

NOTICE TO THE WARRANTHOLDERS OF

SUMITOMO METAL MINING CO., LTD.

U.S.$150,000,000 5 per cent. Guaranteed Bonds due 1993 with Warrants
U.S.$300,000,000 4 per cent. Guaranteed Bonds due 1992 with Warrants

Pursuant to Clause 3 of the Instrument dated 18th February, 1988 and the Instrument dated 19th August, 1988 under which the above warrants were issued, notice is hereby given as follows:

At its meeting held on 3rd July, 1989, the Board of Directors of the Company resolved the Company issued on 28th July, 1989, 40 million shares of common stock of the Company with the offering price per share of ¥1,265 which was fixed on 17th July, 1989, and because of such offering price being less than the current market price per share as at 17th July, 1989 of ¥1,412.00 which is the average of the daily *closing prices per share on the Tokyo Stock Exchange for the* 30 consecutive trading days commencing on 15th May, 1989 and ending on 7th July, 1989.

As a result, the following adjustment to the Subscription Price of the warrants will be made:

1) U.S.$150,000,000 5 per cent. Guaranteed Bonds due 1993 with Warrants
Current Subscription Price before adjustment: ¥1,257.50
Subscription Price after adjustment: ¥1,246.60
2) U.S.$300,000,000 4 per cent. Guaranteed Bonds due 1992 with Warrants
Current Subscription Price before adjustment: ¥1,353.80
Subscription Price after adjustment: ¥1,342.10
3) Effective date of the adjustment (Japan Time): 29th July, 1989

SUMITOMO METAL MINING CO., LTD.
By: The Sumitomo Bank, Ltd.
Principal Paying and
Warrant Agent

Dated: 8th August, 1989

INTERNATIONAL COMPANIES AND FINANCE

Tug-of-war over Bank Igud sale

Hugh Carnegy on an Israeli state sell-off that is becoming a tussle

The Israeli Government owns most of the country's bank shares; it wants to sell them off, but its first attempt to do so has got into a confusing tangle that *does not augur well for the rest* of the enterprise.

As things stand now, Mr Shimon Peres, the Finance Minister, finds himself caught in a tug-of-war between Bank Leumi, the country's second largest bank, and MI Holdings, the state-owned company his ministry entrusted with the job of disposing of government-held bank shares. Also involved as potential investor *is the ubiquitous Mr Robert* Maxwell, the British publisher.

Moshe Sanbar: fought to keep control of Igud subsidiary

The immediate subject of the tussle is Bank Igud, or Union Bank, a profitable subsidiary of Bank Leumi with assets of $1.7bn.

The Finance Ministry has got into trouble because at present the Government does not hold a majority in Bank Igud. This has allowed Mr Moshe Sanbar, the chairman of Bank Leumi, to fight what has been so far an effective rearguard action to keep control of his subsidiary against the wishes of MI Holdings and the Bank of Israel.

The issue stems from a crash in bank shares in 1983. The Government stepped in to prevent a collapse of the system by buying a majority of stock in Bank Leumi and the three other major banks — Bank Hapoalim, Israel Discount Bank and Bank Mizrahi. However, the Government did not take control of the banks — a system of preference shares left control in the hands of minority shareholders.

Now the Government wants to sell off its shareholdings to recoup at least some of the near-$7bn it laid out on the bank rescue. It picked Bank Leumi, controlled by OHH, the Jewish colonial trust, as the first to go, and set about persuading the bank to accept, as a vital preliminary step, the establishment of a one-share-one-vote system, without which the Government shares would be almost worthless.

As part of the process Mr Adi Amorai, the aggressive *chief of MI, and the Bank of* Israel expected Bank Igud to be floated out of Bank Leumi's control. Mr Amorai was concerned to maximise the price realised from the share sale and the central bank was keen to see greater diversity of ownership in the banking system.

However, Mr Sanbar, a former governor of the Bank of Israel, appears to have come very close to outwitting them. In an apparently secret deal with the Finance Ministry, he invited offers on a first-come, first-served basis for the Government's present 37 per cent holding in Bank Igud, plus a new issue of equity that offered a total holding of just under 50 per cent in Bank Igud — on a one share, one vote basis — for a pre-fixed price of about $80m.

The winner was Mr Maxwell. With Bank Leumi *holding* on to its 42 per cent, Mr Sanbar anticipated what he calls a partnership with Mr Maxwell, who in the past year has taken stakes in several Israeli businesses. "I told the Government it was all fixed and the Ministry of Finance was happy," Mr Sanbar said.

The deal was stopped only last month by an unanticipated ruling in the Knesset (parliament) that *all decisions on the* Government bank shareholdings must be approved by the Knesset finance committee.

Under pressure from Mr Amorai and others, Mr Peres has now ordered that an open tender must be held for Bank Igud. But it is unclear whether the bank will be split from its parent.

The Bank Leumi board agreed on Sunday to a request from Mr Peres to instigate share equalisation in Bank Igud. But the board reiterated that it opposed including any of its Bank Igud shareholding in a tender. Without this the Government *cannot* sell a majority stake at present.

Mr Amorai wants to force the issue by threatening legislation to force share equalisation on Bank Leumi itself. If this happened it would then be controlled by the Government, the present board could be dismissed and Bank Igud split off before the parent was sold.

But a senior Finance Ministry official said Mr Peres was very *reluctant* to take such a drastic step with its implication of forced nationalisation. Mr Sanbar is putting trust in his refusal to do so.

Nor has Mr Sanbar neglected the bigger issue of Bank Leumi's future. He has signed an agreement with Drexel Burnham Lambert of the US under which the two will seek investors to bid for at least 50 per cent of Bank Leumi when it is *eventually put up for tender.*

"If it succeeds the stability of the bank will be safeguarded," says Mr Sanbar. Which is not quite what Mr Amorai and the Bank of Israel have in mind.

Jump in investment profit lifts Sumitomo Chemical

By Stefan Wagstyl in Tokyo

SUMITOMO CHEMICAL, one of Japan's largest chemical companies, yesterday posted a 44 per cent increase in interim *pre-tax profits to Y25.7bn* ($185.6m), due to a sharp jump in profits from financial investments which offset a decline in operating profits.

Operating profits in the six months to June fell 10 per cent to Y20.3bn. Margins were squeezed by a rise in the purchase price of petroleum-related raw materials, such as naphtha and benzene, and by higher research and development costs.

Sales rose 8 per cent to Y299.9bn, but prices were mostly unchanged as the company was unable to pass on the increased costs of its raw materials *to customers.*

Sumitomo's biggest sales gains were in exports, which rose 19 per cent to Y38bn. Increased overseas sales of agricultural chemicals played a big part: overall, sales of agricultural chemicals rose by 12 per cent, of fine chemicals by 10 per cent and of basic chemicals by 7 per cent.

Sumitomo was reporting parent company figures. It is raising the interim dividend from Y2.5 to Y3.

● Kuraray, a synthetic fibres producer, is to offer 22m new shares to the public, Reuter adds.

Issue price and date will be decided in mid-August. The issue will bring total outstanding capital to 265.3m shares. Funds raised will be used for plant and equipment and debt repayments.

● Nintendo, the video games company, is to make a one-for-two bonus issue to shareholders registered on August 31.

● Kawasaki Heavy Industries, the engineering group, said it would resume paying a dividend in the current year to March after a five-year gap, due to firmer sales and rationalisation of management.

Coles Myer expects sales to top A$14bn for year

By Chris Sherwell in Sydney

COLES MYER, the Australian retail giant, announced yesterday that its sales for the year to July would exceed A$14bn *(US$10.7m)*, a level likely to confirm its position as the country's second largest company in terms of revenue.

The top revenue generator is Elders IXL, the brewing, agribusiness and financial conglomerate headed by Mr John Elliott. Broking analysts expect Elders to report sales of more than A$16bn for the 12 months to June.

Broken Hill Proprietary (BHP), Australia's largest company in terms of market capitalisation, has already reported revenues of A$11.7bn for the year to May. The steel, petroleum and minerals giant was *also the first company to* announce profits of more than A$1bn.

Yesterday's figure for Coles Myer was based on a preliminary report issued by Mr Brian Quinn, chairman. It represented an increase of 9.7 per cent on the previous year.

The figure was not accompanied by a profit announcement. Stockbroker James Capel Australia said last month that it was reducing its projection of Coles net profit to A$385m from A$405m because of the recent difficult trading environment. The 1987-88 figure was A$328m.

Confirming the trend, Mr Quinn said yesterday that sales in the last 13 weeks of the year declined 1.9 per cent. But he said he was confident of a satisfactory full-year profit.

● ANZ Banking Group holds 19 per cent of Helenus, the vehicle which aims to buy New Zealand Steel, Reuter reports.

ANZ, the fourth and final *party to be confirmed a shareholder*, was named in a statement by Mr Michael Walls, acting chairman of Helenus. Helenus' NZ$323m (US$193m) bid requires statutory approval.

This announcement appears as a matter of record only.

July, 1989

SOUTH AUSTRALIAN BREWING FINANCE LIMITED

South Australian Brewing Finance Limited
SAB Finance Inc.

Guaranteed by S.A. Brewing Holdings Limited

U.S. $200,000,000

Eurocommercial Paper Programme

Arranger
Swiss Bank Corporation

Dealers
Citicorp Investment Bank Limited
J.P. Morgan Securities Ltd.
Swiss Bank Corporation

Issue and Paying Agent
Morgan Guaranty Trust Company of New York

Swiss Bank Corporation

INTERNATIONAL CAPITAL MARKETS

Two Euro-sterling issues dominate limited business

By Andrew Freeman

TWO SWAP-DRIVEN five-year maturity Euro-sterling deals dominated very limited new issue activity on Eurobond markets yesterday. Both deals had good receptions against the background of a firm gilts market, but could only marginally alleviate the wider lack of business.

INTERNATIONAL BONDS

Baring Brothers was the lead manager of a £75m fungible issue for Deutsche Bank Finance. The bonds carried similar terms to the fungible £125m deal launched in January this year, specifically an 11 per cent coupon.

The deal was well received and was increased by Baring to £100m in the early afternoon. The launch spread of 66 basis points over the equivalent UK government issue was judged as fair, with some new issue traders saying the paper was cheap against the outstanding Deutsche Bank bonds.

Good UK institutional demand was evident, but the lead manager also reported some European and Middle Eastern interest. German funds were strong buyers. Baring was quoting the paper inside total fees at less 1¾ bid, both before and after the increase to £100m. Elsewhere in the market, the bonds were trading at less 1.80 bid, leading to some comment that co-managers would struggle to make money.

Neither Baring nor the borrower would comment on the swap, but it is understood that the proceeds were swapped into floating-rate sterling, before being swapped on into floating-rate dollars and other currencies.

Paribas Capital Markets brought a £150m deal for the Agricultural Mortgage Corporation to a good reception, particularly from UK institutions familiar with the borrower. It is understood that Paribas originally had a mandate for a dollar deal to be swapped into sterling, but found itself in charge of a sterling deal last week when it became clear that the dollar numbers *did not* add up. Yesterday's proceeds were swapped into floating-rate sterling.

The bonds offered an 11½ per cent coupon and were priced to yield 81 basis points over government stock. Amid steady demand, the lead manager was quoting the paper at less 1.78 bid, inside full fees.

In Switzerland, prices of straight maturity issues were a touch firmer in thin turnover. The SFr300m convertible deal for Nisshin Steel was trading consistently at around 100¼ bid, despite the cutting of the yield to put at yesterday's fixing. A SFr100m equity warrants deal for Furuno Electric was trading at a discount equivalent to underwriting fees amid reasonable demand.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
Agricultural M'gage Corp(b)◆	150	11½	101.95	1994	1⅞/1¼	Paribas Capital Markets
Deutsche Bank Finance(c)◆	100	11	100½	1994	1⅞/1¼	Baring Brothers
SWISS FRANCS						
Furuno Electric Co.★★♦	100	2⅞	100	1994	1⅝	Citicorp Inv. Bk (Switz)
Nisshin Steel Co.(a)★★§◆	300	½	100	1994	n/a	Banque Paribas (Suisse)

★★Private placement. ♦With equity warrants. §Convertible. ◆Final terms. a) Coupon fixed as indicated. Yield to put 3.705% (4.039% indicated). Conversion price and exchange rate fixed today. b) Non-callable. c) Fungible with issue launched in January. Issue price plus accrued interest.

Brent Walker raises £136m in Japan

BRENT WALKER Group has completed a £136m two-part financing in Japan arranged by Svenska International, writes Norma Cohen.

The financing consists of a £70m eight-year bullet loan syndicated among Japanese banks and a fixed-rate Y15bn five-year loan placed privately, mostly with Japanese leasing companies.

The proceeds of the latter have been swapped into floating rate sterling. The loan is intended to refinance an existing borrowing. Terms were not available.

● BNKreditt, a Norwegian commercial and residential mortgage lender, has mandated Manufacturers Hanover to arrange for it a DM190.75m three-year term loan with a revolving credit option. The loan carries a margin of 22½ basis points over London interbank offered rates and fees range from 12½ basis points for lead managers committing DM25m or more to 7½ basis points for those committing DM5m to DM14m.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on August 7

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B.F.C.E. 9¼ 95	150	103	103⅛	-1	-1½	8.57
Brit. Tel. Fin. 9½ 98	250	103⅝	104⅛	-1¼	-1	8.74
BP America 9¾ 99	250	*106⅛	106⅝	0	+0⅛	8.72
Canada 9 96	1000	103¼	103⅝	-1¼	-1¼	8.27
Canadian Pac. 10⅛ 93	100	†103	103½	+0½	+0½	9.68
C.C.C.E. 9¼ 95	300	102½	103	-1¼	-1¼	8.59
C.N.C.A 9¼ 93	150	†102⅝	102¾	-0⅛	-0⅜	5.68
Credit National 8¼ 93	200	†99	99⅝	-0¼	-0⅜	8.51
Credit National 7⅞ 92	100	96⅛	97⅛	-0⅜	-0⅜	8.64
Credit National 9½ 92	160	102	102½	-1½	-1¼	8.72
Dai-Ichi Kan 9⅝ 92	150	101⅞	102⅛	-0⅞	-1¼	8.85
Denmark 7⅛ 92	500	96¼	96⅝	-0⅛	-0⅛	8.66
E.E.C. 7 91	100	96⅞	97⅛	-0½	-0½	8.44
E.E.C. 7¼ 93	250	96¼	96⅝	-0¼	-0⅜	8.44
E.E.C. 10 93	140	104⅛	104½	-0⅞	-1⅛	8.56
Eurofima 10⅛ 93	100	†105¼	105⅝	-0⅛	-0⅝	8.31
Elec. De France 9 98	200	102	102⅝	-1½	-1¼	8.63
Elec. De France 9½ 99	200	†104⅝	105	-1⅛	-1¼	8.73
Finland 9 96	250	†102¼	102⅝	-1	-0⅞	8.52
Fin. Exp. Cd. 8¼ 97	200	99⅜	99⅞	-0⅝	-0⅞	8.65
Fin. Exp. Cd. 9¼ 95	200	103¼	103½	-0⅞	-0⅝	8.64
Fin. Exp. Cred. 10⅝ 91	100	102⅞	103⅛	-0¼	-0¼	8.85
Ford Motor Credit 8 91	250	†98⅛	99	-0⅛	-0¼	8.81
Gen. Elec. Cap. Corp. 9 93	500	†101¼	101⅝	-1¼	-0¼	8.58
Gen. Elec. Cap. Crp. 10 1/2 91	300	102¼	102¾	-0⅛	-0½	8.71
G.M.A.C. 9 96	300	100¼	100½	-1½	-1⅝	8.95
Gen. Mtrs. Corp. 9¼ 92	200	100⅝	101⅛	-0⅞	-0¼	8.77
IBM Credit Corp. 8⅞ 91	250	100¾	101⅛	-0⅝	-0⅛	8.33
IBM Credit Corp. 9 92	250	†102⅞	102⅞	-0¼	-0¼	7.96
IBM Credit Corp. 9½ 92	250	102	102½	-0⅛	-0⅜	8.44
IBM Credit Corp. 10 92	200	†103⅝	104⅛	-0⅛	-0⅝	8.34
Italy 9½ 95	1000	104	104½	-1⅛	-1⅛	8.58
Italy 9⅝ 99	1000	†105½	106	-1⅛	-0⅞	8.78
Japan Dev. Bank 10 96	200	†106¼	106⅝	-1⅛	-1½	8.68
L.T.C.B. of Japan 9⅞ 92	200	100⅞	101⅜	-1	-1⅛	8.85
Metropolis Tokyo 9⅞ 93	200	102⅛	102⅞	-0⅞	-1⅛	8.59
Nippon Tel. & Tel. 9⅞ 98	250	103⅞	104¼	-1⅞	-1⅛	8.72
Norway 8⅞ 93	500	100⅞	101⅛	-0⅞	-0⅞	8.43
Portugal 8¼ 91	300	†98½	99	-0¼	-0⅝	9.05
Prudential Crp. 8⅝ 94	125	†100½	101	-0⅞	-0⅝	8.55
Sumitomo Bank 9⅝ 92	150	†101⅞	102¼	-0⅞	-0⅞	8.85
Sweden 7 91	250	96⅞	97½	-0⅝	-0⅞	8.49
Sweden 8¼ 96	200	100¾	101¼	-1⅛	-1¼	8.53
Sweden 8½ 92	200	†99¾	99⅞	-0⅛	-0⅞	8.69
Toyota 9½ 91	200	101½	102¼	-0⅝	-0⅝	8.61
Victorian Rep 11⅜ 92	150	106⅜	107	-0⅞	-0¼	8.75
World Bank 7 92	300	†96⅝	97⅛	-0¼	-0¼	8.42
World Bank 9 97	300	102⅛	102⅝	-1½	-1¼	8.58
World Bank 9 93	300	101⅞	102	-1⅜	-1⅛	8.41
World Bank 9¾ 98	300	103⅛	103⅝	-1⅝	-1¼	8.65
World Bank 9⅝ 99	500	105⅝	106⅛	-1½	-1⅝	8.66
World Bank 9¼ 96	300	†105⅝	106	-1¼	-1¼	8.56

Average price change... On day -1 on week -0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	96½	97¼	-0⅛	+0¼	6.70
Austria 6¾ 99	750	99⅛	99¼	-0⅜	-0⅜	6.85
Bank of Tokyo 5¾ 93	100	97	97½	0	-0¼	6.63
Commerzbank o/s. 5⅝ 93	300	95⅞	96⅜	+0⅛	+0⅛	6.66
Credit Foncier 6¾ 99	500	99⅛	99¼	-0⅜	-0⅝	7.87
E.I.B 5½ 98	150	91½	92¼	0	+0⅛	6.76
E.I.B. 6¼ 99	600	95¾	96¼	-0¼	-0¼	6.83
E.I.B. 6⅛ 96	300	96⅝	97⅜	-0⅛	0	6.68
E.I.B. 6½ 99	300	97¼	98	-0⅜	-0⅛	6.84
E.I.B. 6⅞ 95	300	100	100⅜	-0⅜	-0½	6.82
Euro.Coal & Steel 5⅞ 97	175	93⅝	94⅝	-0⅛	-0¼	6.92
Eurofima 6¼ 96	100	96⅝	97⅜	-0⅜	-0½	6.81
Elec De France 5¾ 97	300	93⅞	94⅝	-0¼	-0¼	6.71
Hydro-Quebec 6¾ 99	300	99	99¼	-0¼	-0⅝	6.87
Japan Dev. Bk. 5⅜ 95	300	93	93¾	+0¼	-0¼	6.80
Japan Finance 5¾ 97	100	92½	93⅛	-0¼	-0⅝	7.01
I.A.D.B. 7¼ 99	300	102	102¼	-0⅜	-0⅜	6.94
Ireland 6½ 97	300	96¼	97¼	-0⅛	-0⅜	7.01
Ireland 7¼ 99	500	100⅞	101⅛	-0¼	-0⅞	7.10
Malaysia 6¼ 94	150	96⅝	97⅜	0	0	6.99
Nat. West. BK. PLC 6 98	300	93⅛	93⅞	-0⅝	-0¼	7.01
N.H.L. Finance 6¼ 95	200	†95⅝	96⅛	0	-0⅛	7.08
Nippon Telg.&Tel. 6 95	400	97⅞	98⅛	0	-0¼	6.24
Oesters. Kontbk. 5 93	300	94⅛	95	0	-0⅛	6.77
Portugal 5¾ 92	150	97¼	98	0	-1⅛	6.65
Portugal 6⅝ 95	150	100	100¾	0	-0⅞	6.55
Privatbanken 5¼ 93	150	93⅞	94⅝	-0⅛	-0¼	7.12
Royal Insurance 5½ 92	300	96	96½	-0¼	-0⅛	7.07
Turkey 6½ 95	500	94⅝	95⅜	-0½	+0¼	7.59
Union Bk. Finland 5½ 94	200	95⅛	95½	-0¼	+0¼	6.76
World Bank 6 98	500	94⅜	94⅝	-0⅛	0	6.82
World BK. 6¼ 97	600	97	97⅝	0	-0¼	6.89
World Bank 6¾ 99	600	99½	99¼	-0⅜	-0⅜	6.87

Average price change... On day -0¼ on week -0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†95	95¼	0	+0¼	5.87
Asfinag 5 03	100	†91½	92¼	-0⅛	-0⅜	5.86
B.F.C.E. 4½ 98	200	†93¼	93¾	+0⅛	-0⅜	5.44
B.M.W. Fin. Neth. 5 13	150	†86½	88½	-0¼	-0½	6.00
Britannia B/S. 4¼ 94	100	†90½	91½	-0⅜	-1½	6.47
CIR. Int. W/W 3 93	125	†95	97	-0⅜	+0⅞	4.12
Credit Lyonnais 4¾ 00	100	†90	91	-1½	0	5.97
E.I.B 4⅝ 98	150	†92	92½	+0¼	+0½	5.76
Fletcher Chall. 4⅞ 98	150	†85¾	86	0	0	7.11
Kobe City 4⅝ 98	150	†92¼	92½	+0¼	+0⅛	5.74
Leeds Perm. B/S. 4⅛ 93	200	†92½	93	-1½	-1	6.39
Malaysia 5¼ 98	100	†90½	91	+0¼	+0½	6.66
Maxwell Comm. Grp. 5 95	150	†89½	90½	0	-0¼	7.14
Nat. Bk. Hungary 5½ 94	75	†93	93½	-0¼	-1¾	7.04
Nationwide Ang. B/S. 4 93	200	†92	93	-0¼	-0¼	6.24
Nippon Telg.&Tel. 4⅛ 95	200	*†93¾	93¾	0	0	5.49
Oesters. Ktbk. 5 03	75	†96¼	96½	+0½	+4¼	5.38
Prov. Newfoundland 5 03	150	†93¼	94	+0⅞	+1¼	5.63
Thailand 4⅝ 95	200	†96¼	96½	+0⅜	+2⅞	5.35
World Bank 5 03	150	†92	93	-0¼	-0¼	5.80

Average price change... On day -0⅛ on week +0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101⅛	101⅜	0	-0¼	5.23
Canada 5⅝ 93	80	101½	101⅞	+0⅛	-0⅜	5.16
Eurofima 5 1995	20	98⅝	99	0	0	5.23
E.I.B. 4⅞ 93	30	98⅞	99⅛	+0⅛	-0⅛	5.18
Ireland 5⅛ 93	30	99⅜	99⅞	0	-0⅜	5.23
Norway 5⅛ 95	50	99⅝	99⅞	0	-0⅜	5.17
Sweden 4⅝ 93	50	97⅞	98⅛	+0⅛	-0¼	5.22
World Bank 5⅛ 98	10	98⅜	98⅞	0	-0⅛	5.32
World Bank 7 94	20	106⅞	107⅜	+0⅛	-0¼	5.25

Average price change... On day +0 on week -0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 11⅝ 95 £	100	98¾	99⅜	-0⅜	-0⅞	11.84
Aegon 7⅛ 92 FL	100	102	102½	0	+0⅛	7.72
Alg. Bk. Ned. 5¾ 93 FL	200	95⅝	95¾	0	0	7.20
Austria 7½ 94 ECU	100	96⅛	96⅝	-0⅛	-0¼	8.46
Bk. Nova Scot. 14⅞ 90 A$	75	95⅞	96⅛	-0⅜	-0¼	18.24
Barclays Aus. 13½ 91 A$	100	96⅛	96⅝	+0⅛	+0⅜	15.49
Belgium 8½ 94 Ecu	150	97⅝	98⅛	-0⅛	-0½	8.69
BP Capital 9¾ 93 £	100	94⅛	94½	-0¼	-0⅝	11.72
British Airways 10 98 £	*100*	*93¼*	*93¾*	*0*	*-0⅝*	*11.19*
Comm. Bk. Aust. 12⅝ 93A$	100	†94⅛	94⅝	+0⅛	+0⅝	14.61
CrLocalFrance 9¼ 92Ecu	100	101⅝	102¼	0	-0¼	8.41
Deut. Bk. Aus. 13⅛ 93 A$	125	97⅞	98¼	0	+0½	13.96
Deutsche Bk. Fin. 15 94 A$	100	103	103⅜	-0⅛	+0⅝	13.99
Eastman Kodak 13 90 A$	100	96	96½	-0⅛	+0⅝	17.15
E.I.B. 7 96 LFr	100	96⅝	97⅝	-0⅜	0	7.56
E.I.B. 9 99 Ecu	150	102⅛	102⅝	-0⅛	0	8.62
Eurofima 7⅝ 94 Ecu	100	97	97½	-0¼	+0¼	8.37
Export Dv. Crp. 8¾ 92Ecu	100	100⅛	100⅞	-0⅛	-0⅛	8.45
Fed. Bus. Dv. Bk. 9¾ 92 C$	75	†98⅝	99⅛	-0⅞	-0⅞	10.20
Fed. Bus. Dv. Bk. 10½ 99C$	50	101⅛	101⅝	-0⅜	-0¼	10.04
Ferrv. Stato 7⅞ 93 Ecu	100	97	97½	0	0	8.61
Ford Cr. Can. 10¾ 93 C$	100	†100⅞	101⅛	-0⅜	-0⅜	10.35
Ford Cred. Can. 10⅞ 96C$	125	103¼	103¾	-0¼	-0⅜	10.09
Ford Cred. Fund. 10⅛ 93£	60	96¾	97¼	-0⅛	-0⅜	11.65
Ford Mtr. Cred. 7⅞ 93Ecu	100	97⅛	97⅝	-0⅛	+0⅛	8.75
G.M.A.C. Canada 11 3/494C$	100	104½	105	-0⅜	-0¼	10.39
Heineken 7⅝ 94 FL	150	103	103½	0	+0½	7.51
Hydro-Quebec 11 99 C$	400	104¾	105⅛	-0¼	-0⅛	10.15
Lloyds Bank 10¼ 98 £	150	93½	94	-0⅛	-0⅜	11.40
Lloyds Bank 11⅜ 98 £	100	96¾	97¼	-0⅛	-0⅝	11.90
Montreal Tst. 10¾ 93 C$	100	†100¼	100¾	-1	-1	10.57
Morgan Guar. Tst. 11 91 C$	150	†100⅛	100⅝	-0¼	-0½	10.59
Nat. Aus. Bk. 14¾ 94A$	100	99⅝	100⅛	0	+1	14.71
New Zealand 9½ 93 £	100	93¼	93⅝	-0¼	-0½	11.76
Philips Gloeil. 6 93 FL	300	97⅛	97⅝	0	-0½	6.77
Privatbanken 7½ 94 LFr	500	97⅞	98¾	-0¼	-0¼	7.95
Royal Bk. Scot. 10⅝ 98 £	125	95⅝	96⅛	-0¼	-0⅞	11.43
Saskatchewan 9⅞ 91 C$	150	†98⅝	99⅛	-0⅞	-0⅞	10.53
Saskatchewan 10¼ 93 C$	200	100⅛	100⅝	-0⅜	-0½	10.11
State Bk. NSW. 13⅞ 93A$	100	97⅛	97½	-0¼	+0½	14.71
Sweden 15 94 A$	100	104	104⅜	-0⅛	+1¼	13.66
Toyota Mtr. Cr. 11⅛ 92C$	150	102¼	102¾	-0½	-0⅜	10.27
World Bank 13⅛ 92 A$	100	99⅞	100	-0¼	+0¼	13.52
World Bank 14 94 NZ$	75	104¾	105¼	0	+0⅜	12.35
Zentrspk. 13¼ 93 A$	75	†97¼	97¾	-0¼	+0⅝	14.05

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.98	100.03	24/10	14.08
Bank of Greece 99 US$	0¼	99.66	99.76	8/09	10.62
Belgium 91 US	0	100.21	100.31	19/08	9.38
Chelt. & Gloucester 94 £	.063	99.93	99.98	30/08	14.06
Credit Foncier 98 US	.063	100.20	100.30	20/10	10.16
Dresdner Finance 99 DM	.031	99.93	100.03	30/10	6.97
EEC 3 92 DM	0	100.45	100.55	22/08	5.63
Halifax BS 94 £	.1	100.08	100.13	9/08	12.97
Invt. in Industry 94 £	0¼	100.09	100.19	24/08	14.06
Leeds Perm. B/S. 94 £	0⅛	100.16	100.20	13/10	14.06
Midland Bank 01 £	.1	98.43	98.77	15/08	12.97
Milk Mkt. Brd. 5 93 £	0⅛	100.02	100.07	29/09	14.31
New Zealand 5 97 £	.07	99.99	100.09	22/08	13.19
State Bk. Nsw. 98 US	.188	100.38	100.48	14/08	9.87
Woolwich Equit. BS. 93 £	0⅛	100.20	100.25	13/10	14.06
Woolwich 5 95 £	0⅛	100.05	100.10	22/08	13¼

Average price change... On day -0.01 on week 0.00

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62	119¾	120¼	+0⅝	4.27
Amer. Brands 7¾ 02 US	19/87	56.7	134¼	135¼	+1¼	-1.42
CBS. Inc. 5 02 US	4/87	200.	109¾	110¾	-0⅛	1.55
Primerica 5½ 02 US	4/87	66.75	73½	74½	+0¼	81.27
Eng. China Clay 6½ 03 £	9/88	4.8	104½	105½	+0¼	6.11
Fujitsu 3 99 US	5/84	1106.	232	233	-6¼	-1.44
Ladbroke Grp. 5¼ 04 £	6/89	7.1	103⅞	104⅝	+0½	120.29
Land Secs. 6¾ 02 £	6/87	6.72	98¾	99¾	-0⅛	11.35
Minolta Camera 2¼ 94DM	2/86	1004.	108⅞	110½	-0⅛	7.63
MCA Inc 5½ 02 US	9/87	69.62	108	109	-1	9.48
Mitsubishi Bk. 3½ 04US	5/89	3266.	96⅞	97⅞	-2	-0.12
Next Plc 5¼ 03 £	11/87	4.3	100⅞	101⅞	0	280.63
Nishi Nipp. Bk. 2⅞ 03 US	4/88	804.	119⅝	120⅝	-2⅞	3.29
Omron Tateisi 2⅝ 02 US	4/87	1310.	272	273	-3	0.87
Ranks Hovis 4¼ 03 £	1/88	3.5	126¼	127¼	-0¼	-2.40
Redland 7¼ 02 £	1/87	5.4	110¼	111¼	+0⅜	1.88
Saatchi & Stchi. 6¾ 03 £	†10/89	4.41	94½	95½	+0½	32.16
Silicon Graphics 8 04 US	6/89	23.18	99¼	100¼	+2⅝	11.43
Sumitomo Bank 3¼ 04 US	2/89	4296.	90	91	-1⅞	12.72
Texas Inst. 2¾ 02 US	9/87	82.87	77⅛	78⅛	+0½	58.85
Utd. Newspapers 8 04 £	10/89	8.77	111⅝	112⅝	+2¼	107.77
W.R. Grace 6¼ 02 US	9/87	42.12	94⅝	95⅝	-0⅛	21.43

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, August 7, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	61.7418	32.4081	44.2586
Albania	(Lek)	9.9036	6.1608	3.2338	4.4163
Algeria	(Dinar)	12.2797	7.6390	4.0096	5.4758
Andorra	(Fr Fr)	10.3600	6.4447	3.3828	4.6198
	(Sp Peseta)	192.00	119.4401	62.6938	85.6187
Angola	(Kwanza)	50.132	31.1863	16.3696	22.3554
Antigua	(E Carr $)	4.3273	2.6919	1.4129	1.9296
Argentina	(Austral)	1047.59	651.6889	342.0702	467.1527
Aruba	(Florin)	2.8688	1.7846	0.9367	1.2792
Australia	(Aus $)	2.1013	1.3071	0.6861	0.9370
Austria	(Schilling)	21.535	13.3965	7.0318	9.6031
Azores	(Port Escudo)	255.90	159.1912	83.5591	114.1137
Bahamas	(Bahama $)	1.6075	1	0.5248	0.7168
Bahrain	(Dinar)	0.6050	0.3763	0.1975	0.2697
Balearic Is	(Sp Peseta)	192.00	119.4401	62.6938	85.6187
Bangladesh	(Taka)	50.00	31.1041	16.3265	22.2965
Barbados	(Barb $)	3.2235	2.0052	1.0525	1.4374
Belgium	(Belg Fr)	64.15c	39.9066	20.9469	28.6064
		64.30g	40	20.9959	28.6733
Belize	(B $)	3.2054	1.9940	1.0466	1.4293
Benin	(CFA Fr)	518.00	322.2395	169.1428	230.9921
Bermuda	(Bermudian $)	1.6075	1	0.5248	0.7168
Bhutan	(Ngultrum)	26.50	16.4852	8.6530	11.8171
Bolivia	(Bolivlano)	4.2952	2.6719	1.4025	1.9153
Botswana	(Pula)	3.2425	2.0171	1.0587	1.4459
Brazil	(Cruzado)	3.6565	2.2746	1.1939	1.6305
British Virgin Is	(US $)	1.6075	1	0.5248	0.7168
Brunei	(Brunei $)	3.1358	1.9507	1.0239	1.3983
Bulgaria	(Lev)	1.3767	0.8564	0.4495	0.6139
Burkino Faso	(CFA Fr)	518.00	322.2395	169.1428	230.9921
Burma	(Kyat)	11.1325	6.9253	3.6351	4.9643
Burundi	(Burundi Fr)	257.95	160.4665	84.2285	115.0278
Cameroon	(CFA Fr)	518.00	322.2395	169.1428	230.9921
Canada	(Canadian $)	1.8860	1.1732	0.6158	0.8410
Canary Is	(Sp Peseta)	192.00	119.4401	62.6938	85.6187
Cp. Verde Is	(CV Escudo)	127.0941	79.0632	41.5001	56.6751
Cayman Is	(CI $)	1.3302	0.8274	0.4343	0.5931
Cent. Afr. Rep	(CFA Fr)	518.00	322.2395	169.1428	230.9921
Chad	(CFA Fr)	518.00	322.2395	169.1428	230.9921
Chile	(Chilean Peso)	422.46	262.8055	137.9461	188.3879
China	(Renminbi Yuan)	5.9978	3.7311	1.9584	2.6746
Colombia	(Col Peso)	627.70	390.4821	204.9632	279.9108
Comoro Is	(CFA Fr)	518.00	322.2395	169.1428	230.9921
Congo (Brazz)	(CFA Fr)	518.00	322.2395	169.1428	230.9921
Costa Rica	(Colon)	126.8537	78.9136	41.4216	56.5679
Cuba	(Cuban Peso)	1.2206	0.7593	0.3985	0.5443
Cyprus	(Cyprus £)	0.795	0.4945	0.2595	0.3545
Czechoslovakia	(Koruna)	24.89c	15.4836	8.1273	11.0992
		16.13l	10.0342	5.2669	7.1928
		16.13t	10.0342	5.2669	7.1928
Denmark	(Danish Kroner)	11.90	7.4027	3.8857	5.3065
Djibouti Rep	(Djib Fr)	284.70	177.1073	92.9632	126.9565
Dominica	(E Carrib $)	4.3273	2.6919	1.4129	1.9296
Dominican Rep	(D Peso)	10.2733	6.3908	3.3545	4.5811
Ecuador	(Sucre)	858.94o	534.3328	280.4702	383.0278
		924.77a	575.2846	301.9657	412.3835
Egypt	(Egyptian £)	4.102	2.5517	1.3394	1.8292
El Salvador	(Colon)	8.0275	4.9937	2.6212	3.5797
Equat'l Guinea	(CFA Fr)	518.00	322.2395	169.1428	230.9921
Ethiopia	(Ethiopian Birr)	3.2938	2.0490	1.0755	1.4688
Falkland Is	(Falk £)	1.00	0.6220	0.3265	0.4459
Faroe Is	(Danish Kroner)	11.90	7.4027	3.8857	5.3065
Fiji Is	(Fiji $)	2.3915	1.4877	0.7808	1.0664
Finland	(Markka)	6.8928	4.2879	2.2507	3.0737
France	(Fr)	10.3600	6.4447	3.3828	4.6198
Fr. Cty/Africa	(CFA Fr)	518.00	322.2395	169.1428	230.9921
Fr. Guiana	(Local Fr)	10.3600	6.4447	3.3828	4.6198
Fr. Pacific Is	(CFP Fr)	187.45	116.6096	61.2081	83.5897
Gabon	(CFA Fr)	518.00	322.2395	169.1428	230.9921
Gambia	(Dalasi)	9.8566	6.1316	3.2184	4.3953
Germany East	(Ostmark)	3.0625	1.9051	1	1.3656
Germany West	(DMark)	3.0625	1.9051	1	1.3656
Ghana	(Cedi)	440.41	273.9720	143.8073	196.3924
Gibraltar	(Gib £)	1.00	0.6220	0.3265	0.4459
Greece	(Drachma)	264.70	164.6656	86.4326	118.0379

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Greenland	(Danish Krone)	11.90	7.4027	3.8857	5.3065
Grenada	(E Carr $)	4.3273	2.6919	1.4129	1.9296
Guadaloupe	(Local Fr)	10.3600	6.4447	3.3828	4.6198
Guam	(US $)	1.6075	1	0.5248	0.7168
Guatemala	(Quetzal)	4.5757	2.8464	1.4941	2.0404
Guinea	(Fr)	480.81	299.1041	156.9991	214.4080
Guinea-Bissau	(Peso)	1041.755	648.0590	340.1648	464.5507
Guyana	(Guyanese $)	47.94	29.8227	15.6538	21.3779
Haiti	(Gourde)	8.0135	4.9850	2.6166	3.5734
Honduras	(Lempira)	3.2110	1.9975	1.0484	1.4318
Hong Kong	(HK $)	12.5318	7.7958	4.0920	5.5883
Hungary	(Forint)	98.1335	61.0472	32.0435	43.7607
Iceland	(Icelandic Krona)	95.72	59.5458	31.2555	42.6845
India	(Indian Rupee)	26.50	16.4852	8.6530	11.8171
Indonesia	(Rupiah)	2868.34	1784.3483	936.6008	1279.0813
Iran	(Rial)	119.40	74.2768	38.9877	53.2441
Iraq	(Iraqi Dinar)	0.4991	0.3104	0.1629	0.2225
Irish Rep	(Punt)	1.1460	0.7129	0.3742	0.5110
Israel	(Shekel)	3.142	1.9545	1.0259	1.4011
Italy	(Lira)	2203.50	1370.7620	719.5102	982.6086
Ivory Coast	(CFA Fr)	518.00	322.2395	169.1428	230.9921
Jamaica	(Jamaican $)	8.6350	5.3716	2.8195	3.8506
Japan	(Yen)	224.25	139.5023	73.2244	100
Jordan	(Jordanian Dinar)	0.9305	0.5788	0.3038	0.4149
Kampuchea	(Riel)	160.75	100	52.4897	71.6833
Kenya	(Kenya Shilling)	33.47	20.8211	10.9289	14.9253
Kiribati	(Australian $)	2.1013	1.3071	0.6861	0.9370
Korea North	(Won)	1.5546	0.9670	0.5076	0.6932
Korea South	(Won)	1074.85	668.6469	350.9714	479.3088
Kuwait	(Kuwaiti Dinar)	0.4745	0.2951	0.1549	0.2115
Laos	(New Kip)	915.1417	569.2949	298.8217	408.0899
Lebanon	(Lebanese £)	868.63	540.3608	283.6342	387.3489
Lesotho	(Maluti)	4.3268	2.6916	1.4128	1.9294
Liberia	(Liberian $)	1.6075	1	0.5248	0.7168
Libya	(Libyan Dinar)	0.4803	0.2987	0.1568	0.2141
Liechenstein	(Swiss Fr)	2.6325	1.6376	0.8595	1.1739
Luxembourg	(Lux Fr)	64.15	39.9066	20.9469	28.6064
Macao	(Pataca)	12.9263	8.0412	4.2208	5.7642
Madeira	(Port Escudo)	255.90	159.1912	83.5591	114.1137
Malagasy Rep	(MG Fr)	2370.75	1474.8055	774.1224	1057.1906
Malawi	(Kwacha)	4.4475	2.7667	1.4522	1.9832
Malaysia	(Ringgit)	4.2955	2.6721	1.4026	1.9154
Maldive Is	(Rufiya)	13.4787	8.3848	4.4012	6.0105
Mali Rep	(CFA Fr)	518.00	322.2395	169.1428	230.9921
Malta	(Maltese £)	0.56	0.3483	0.1828	0.2497
Martinique	(Local Fr)	10.3600	6.4447	3.3828	4.6198
Mauritania	(Ouguiya)	137.9925	85.8429	45.0587	61.5351
Mauritius	(Maur Rupee)	24.25	15.0855	7.9183	10.8138
Mexico	(Mexican Peso)	4074.76a	2534.8429	1330.5338	1817.0613
		3990.72d	2482.5629	1303.0922	1779.5852
Miquelon	(Local Fr)	10.3600	6.4447	3.3828	4.6198
Monaco	(French Fr)	10.3600	6.4447	3.3828	4.6198
Mongolia	(Tugrik)	5.3779	3.3455	1.7560	2.3981
Montserrat	(E Carr $)	4.3273	2.6919	1.4129	1.9296
Morocco	(Dirham)	13.46	8.3732	4.3951	6.0022
Mozambique	(Metical)	1223.7576	761.2800	399.5943	545.7113
Namibia	(S A Rand)	4.3268	2.6916	1.4128	1.9294
Nauru Is	(Australian $)	2.1013	1.3071	0.6861	0.9370
Nepal	(Nepalese Rupee)	38.4648	23.9283	12.5599	17.1526
Netherlands	(Guilder)	3.4550	2.1493	1.1281	1.5406
N'nd Antilles	(A/Guilder)	2.8849	1.7946	0.9420	1.2864
New Zealand	(NZ $)	2.6840	1.6696	0.8764	1.1968
Nicaragua	(Cordoba)	32110.0	19975.1166	10484.8979	14318.8405
Niger Rep	(CFA Fr)	518.00	322.2395	169.1428	230.9921
Nigeria	(Naira)	11.4593	7.1286	3.7418	5.1100
Norway	(Nor. Krone)	11.2325	6.9875	3.6677	5.0089
Oman	(Rial Omani)	0.6175	0.3841	0.2016	0.2753
Pakistan	(Pak. Rupee)	33.00	20.5287	10.7755	14.7157
Panama	(Balboa)	1.6075	1	0.5248	0.7168
Papua New Guinea	(Kina)	1.3925	0.8662	0.4546	0.6209
Paraguay	(Guarani)	-			
		2010.09	1250.4447	656.3559	896.3612

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Peru	(Inti)	-			
		4856.64	3021.2379	1585.8416	2165.7257
Philippines	(Peso)	33.50	20.8398	10.9387	14.9386
Pitcairn Is	(£ Sterling)	1.00	0.6220	0.3265	0.4459
	(NZ $)	2.6840	1.6696	0.8764	1.1968
Poland	(Zloty)	1365.00	849.1446	445.7142	608.6953
Portugal	(Escudo)	255.90	159.1912	83.5591	114.1137
Puerto Rico	(US $)	1.6075	1	0.5248	0.7168
Qatar	(Riyal)	5.8405	3.6332	1.9071	2.6044
Reunion Is. de la	(F/Fr)	10.3600	6.4447	3.3828	4.6198
Romania	(Leu)	14.781	9.1944	4.8261	6.59[illegible]
Rwanda	(Fr)	130.015	80.8802	42.4538	57.[illegible]
St Christopher	(E Carr $)	4.3273	2.6919	1.4129	1.9296
St Helena	(£)	1.00	0.6220	0.3265	0.4459
St Lucia	(E Carr $)	4.3273	2.6919	1.4129	1.9296
St Pierre	(French Fr)	10.3600	6.4447	3.3828	4.6198
St Vincent	(E Carr $)	4.3273	2.6919	1.4129	1.9296
San Marino	(Italian Lira)	2203.50	1370.7620	719.5102	982.6086
Sao Tome	(Dobra)	172.5919	107.3666	56.3565	76.9640
Saudi Arabia	(Riyal)	6.0045	3.7353	1.9606	2.6775
Senegal	(CFA Fr)	518.00	322.2395	169.1428	230.9921
Seychelles	(Rupee)	8.90	5.5365	2.9061	3.9687
Sierra Leone	(Leone)	101.00	62.8304	32.9795	45.0390
Singapore	($)	3.1358	1.9507	1.0239	1.3983
Solomon Is	($)	3.7694	2.3448	1.2308	1.6808
Somali Rep	(Shilling)	657.107	408.7757	214.5655	293.0243
South Africa	(Rand)	4.3268c	2.6916	1.4128	1.9294
		6.6620g	4.1443	2.1753	2.9707
Spain	(Peseta)	192.00	119.4401	62.6938	85.6187
Spanish Ports in N Africa	(Sp Peseta)	192.00	119.4401	62.6938	85.6187
Sri Lanka	(Rupee)	56.50	35.1477	18.4489	25.1950
Sudan Rep	(£)	7.2122	4.4865	2.3550	3.2161
Surinam	(Guilder)	2.8608	1.7796	0.9341	1.2757
Swaziland	(Lilangeni)	4.3268	2.6916	1.4128	1.9294
Sweden	(Krona)	10.4375	6.4930	3.4081	4.6544
Switzerland	(Fr)	2.6325	1.6376	0.8595	1.1739
Syria	(£)	33.6567	20.9372	10.9[illegible]	15.0085
Taiwan	($)	41.25	25.6609	13.4693	18.3946
Tanzania	(Shilling)	231.30	143.8880	75.5265	103.1438
Thailand	(Baht)	40.80	25.3810	13.3224	18.1939
Togo Rep	(CFA Fr)	518.00	322.2395	169.1428	230.9921
Tonga Is	(Pa Anga)	2.1013	1.3071	0.6861	0.9370
Trinidad/Tobago	($)	6.8115	4.2373	2.2241	3.0374
Tunisia	(Dinar)	1.5288	0.9510	0.4992	0.6817
Turkey	(Lira)	3536.68	2200.1119	1154.8342	1577.1148
Turks & Caicos	(US $)	1.6075	1	0.5248	0.7168
Tuvalu	(Australian $)	2.1013	1.3071	0.6861	0.9370
Uganda	(New Shilling)	316.9698	197.1818	103.5003	141.3466
U A E	(Dirham)	5.8805	3.6581	1.9201	2.6222
United Kingdom	(£)	1.00	0.6220	0.3265	0.4459
United States	(US $)	1.6075	1	0.5248	0.7168
Uruguay	(Peso)	996.21	619.7262	325.2930	444.2408
USSR	(Rouble)	1.0413	0.6477	0.3400	0.4643
Vanuatu	(Vatu)	191.00	118.8180	62.3673	85.1727
Vatican	(Lira)	2203.50	1370.7620	719.5102	982.6086
Venezuela	(Bolivar)	59.88	37.2503	19.5526	26.7023
Vietnam	(Dong)	7212.15	4486.5629	2354.9877	3216.1204
Virgin Is-British	(US $)	1.6075	1	0.5248	0.7168
Virgin Is-US	(US $)	1.6075	1	0.5248	0.7168
Western Samoa	(Tala)	3.7370	2.3247	1.2202	1.6664
Yemen	(Rial)	17.20	10.6998	5.6163	7.6700
Yemen PDR	(Dinar)	0.5497	0.3419	0.1794	0.2451
Yugoslavia	(Dinar)	37468.35	23308.4603	12234.5632	16708.2943
Zaire Rep	(Zaire)	652.68	406.0217	213.1200	291.0501
Zambia	(Kwacha)	24.30	15.1166	7.9346	10.8361
Zimbabwe	($)	3.4575	2.1508	1.1289	1.5418

Special Drawing Rights August 4 1989 United Kingdom £1.27555 United States $1.28180 Germany West D Mark 2.40427 Japan Yen176.119 European Currency Unit Rates August 7 1989 United Kingdom £1.48024 United States $1.08442 Germany West D Mark 2.07395 Japan Yen151.764

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday, August 7, 1989.

TRADE INDEMNITY 01-739 4311

THE CREDIT RISK MANAGERS SPECIALIST EXPORT FINANCE

Brasilvest S.A.

Net asset value as of 31st July, 1989

per NCZ Share: 4,801.50

per Depositary Share: US$20,454.70

per Depositary Share (Second Series) US$19,208.22

per Depositary Share (Third Series) US$16,346.43

per Depositary Share (Fourth Series) US$15,271.04

LEGAL NOTICES

LILLEY plc

NOTICE IS HEREBY GIVEN that in a Petition presented by Lilley plc having its registered office at 331 Charles Street, Glasgow G21 2QX for confirmation of reduction of share premium account of the company an Order was pronounced by the Vacation Judge of the Court of Session at Edinburgh of 3rd August 1989 appointing the Petition to be intimated on the walls of Court and in the Minute Book in common form and to be advertised once in each of the Financial Times and Glasgow Herald newspapers and allowing all parties claiming an interest to lodge Answers therein, if so advised, within 21 days after such intimation and advertisement.

Biggart Baillie & Gifford W.S.,
Solicitors for the Petitioner
105 West George Street
Glasgow G2 1QP.

COUNTRY HOME ADVERTISING

appears every Saturday in the Weekend FT.

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PAN-HOLDING

SOCIETE ANONYME LUXEMBOURG

After payment on July 3, 1989, of a dividend of USD 7.75 per share, in respect of the year 1988 (coupon nr 54), the unconsolidated net asset value as of July 31, 1989 was USD 311,184,309.44 i.e. USD 505.99 per share of USD 100 par value.

The consolidated net asset value per share amounted as of the same date, to USD 515.64

NJK FINANCIAL (BERMUDA) LTD

US$100,000,000

Guaranteed Floating Rate Notes due 1999

Notice is hereby given that for the interest period from 8th August, 1989 to 8th February, 1990 the notes will carry an interest rate of 8.875% per annum.

ChemicalBank

Agent Bank

These securities having been sold, this announcement appears as a matter of record only.

New Issue — August 8, 1989

MIZUNO

Mizuno Finance Netherlands B.V.

Amsterdam, The Netherlands

DM 100,000,000

Private Placement

7½% Bearer Bonds Due 1993

Keep-Well Agreement by

Mizuno Corporation

Osaka, Japan

Sumitomo Bank (Deutschland) GmbH

Bayerische Vereinsbank Aktiengesellschaft — BHF-Bank

Dresdner Bank Aktiengesellschaft — Morgan Stanley GmbH

Schweizerische Bankgesellschaft (Deutschland) AG — Schweizerischer Bankverein (Deutschland) AG

Trinkaus & Burkhardt Kommanditgesellschaft auf Aktien

U.S. $250,000,000

CL

Crédit Lyonnais

Subordinated Floating Rate Notes Due August 1997

Interest Rate	8$^{11}/_{16}$% per annum
Interest Period	7th August 1989 7th November 1989
Interest Amount per U.S. $10,000 Note due 7th November 1989	U.S. $222.01

Credit Suisse First Boston Limited

Reference Agent

DAEWOO CORPORATION

US$175,000,000

Floating Rate Notes 1995

(Coupon No. 5)

Pursuant to Note conditions, notice is hereby given that for the interest period 8th August 1989 to 8th February 1990 (184 days), an interest rate of 8$^{9}/_{16}$ per cent. per annum, will apply.

Amount per coupon (No. 5) = US$4,376.39

Payable on the 8th February 1990

Reference/Agent Bank

LTCB

THE LONG-TERM CREDIT BANK OF JAPAN, LTD.

London Branch

INTERNATIONAL CAPITAL MARKETS

US Treasuries depressed following thrift bail-out

By **Janet Bush** in New York and **Katharine Campbell** in London

US TREASURY bonds extended Friday's steep losses yesterday amid nervousness about this week's quarterly Treasury refunding, Friday's key figures on inflation and the impact of the thrift bail-out passed by Congress at the weekend.

At mid-session, the Treasury's benchmark long bond was quoted ½ point lower for a yield of 8.10 per cent.

GOVERNMENT BONDS

Yesterday morning, the market was still waiting for President George Bush to sign the temporary $70bn debt ceiling increase approved by the Senate on Friday. Until the signature was on the legislation, when-issued trading could not begin on this week's auction issues.

The first leg of the $29.5bn refunding is today's sale of $10bn worth of three-year notes followed by a 10-year sale tomorrow and the long-bond auction on Thursday. Further supply this week comes in the form of a huge cash-management bill on Thursday.

The sharp rise in yields on Friday, following what was interpreted as a strong employment release, should mean that the bonds to be sold this week look more attractive.

However, there is much uncertainty about the impact of the Treasury's financing of the thrift bail-out.

It looks, on first sight, as if the Treasury will have to raise another $20bn of net new cash by the end of September. The question is how the Treasury will raise these funds and whether it will indeed have to raise the entire $20bn.

The market will also be focusing this week on the publication of the US Federal Reserve's latest Tan Book review of regional economies and, of key importance, producer prices figures for July. Forecasters are looking for a rise of only 0.2 per cent in the producer prices index in July, the same gain as in June.

Retail sales for July are also due for release on Friday and are expected to have risen by around 0.6 per cent after falling 0.4 per cent in June.

One factor helping to undermine bonds yesterday morning was the dollar, which weakened having traded higher overseas.

■ THE SURPRISE resignation of Mr David Lange, the New Zealand Prime Minister, initially cast the domestic bond *market into confusion*, but traders soon recovered their cool, to the extent that prices were almost unchanged by the end of the day.

The statement, which caught *the market towards mid-day*, immediately occasioned a rise in yield terms of between 25 and 30 basis points, as the *domestic currency* lost nearly a cent against the US dollar.

Mr Lange's resignation followed the first Cabinet meeting attended by his old rival Mr Roger Douglas, the former Finance Minister.

But prices recovered remarkably quickly, so that the November 1993 bond ended the session yielding 12.45 per cent, roughly on its opening level. Traders said they were biding their time until the identity of the new Prime Minister, as well as the extent of a possible Cabinet reshuffle, became known.

■ GERMAN BOND prices were marked down around 45 pfennigs at the official fixings, as the market adjusted to the dramatic sell-off in the US Treasury market at the end of last week. A relatively firm dollar yesterday also contributed to the negative sentiment.

The average yield on bonds with more than three years to maturity rose 6 basis points, and at the fixings, the federal 6¾ per cent June 1999 bond was priced at 100.55 after 101 on Friday.

■ IN A very thin market, UK gilt-edged securities rallied at *the end of the day in a move* traders attributed to a short squeeze.

The announcement of a 2.3 per cent fall in June retail sales volume perked the mar*ket up a bit*, although dealers warned against attaching too much importance to these erratic figures.

The 11¾ per cent Treasury bonds due 2003-2007 reversed earlier weakness to close $\frac{1}{16}$ of a point higher, at 115$\frac{11}{16}$.

Mezzanine ambitions of a junior colossus

GE Capital's UK subsidiary is prepared to chance its arm reports **Stephen Fidler**

GE Capital, the financial arm of General Electric of the US, is a colossus in the US capital markets. With assets of more than $52bn, this subsidiary, created to finance purchases of GE household products for American consumers, now contributes 20 to 25 per cent of the US conglomerate's earnings.

The activities of its UK offshoot are tiny by comparison in the much smaller UK market. But its intervention, at least in one sector of the UK market – that of mezzanine finance – may eventually be no less significant.

GE Capital in the UK is not just about mezzanine finance. It moved into the equipment leasing business about two and a half years ago. For two years, it has had a property financing group which concentrates on income-producing properties, perhaps in need of refurbishment but not being built from scratch.

Another unit is looking into possibilities for financing power generators as the privatisation of the electrical supply industry gets under way. The company is also investigating whether it should enter the credit card business in the UK, running stores' own credit cards as it does in the US.

Even in the capital markets, GE Capital says it is willing to invest and underwrite *all* parts *of a transaction*.

However, it claims it is particularly well placed to provide mezzanine finance, and it is *this part of its activities that* has caused the most interest.

Mezzanine finance is used in takeovers and leveraged buy-outs to provide a cushion of debt which ranks in risk above equity but below the senior secured debt provided by bank lenders.

Mezzanine debt is the nearest equivalent so far that the UK has to the controversial US junk bond market.

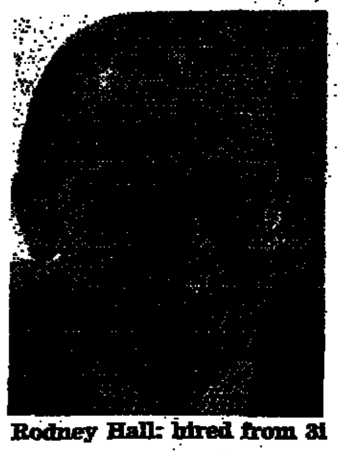
Because of the higher risks which lenders of mezzanine finance take, they are rewarded with higher returns, often in the UK partly in the form of entitlements to buy equity in the future.

Its proponents say mezzanine can play a significant role in the corporate acquisitions and divestments expected to take place in Europe as companies realign to position themselves ahead of 1992. But there are significant institutional obstacles in the way of its growth: apart from banks, very few indigenous lenders have emerged so far for mezzanine finance and institutional shareholders have shown little inclination so far to dilute their equity with debt.

A handful of funds has been established to invest, but they have been essentially funded by banks.

The market also faces a challenge *in the face of* high UK interest rates, which have worsened the economics of many potential leveraged bids both by raising the cost of finance *and* by keeping customers away from their businesses.

In the US, GE Capital calls itself a market leader in the *field of acquisition finance*. Over the last three years it has committed more than $7bn to corporate restructurings, including those for Macy's department stores and Tiffany, the jewellers.



Rodney Hall: hired from 3i

While the huge balance sheet of its parent gives the UK subsidiary some potential clout, so far *GE Capital* has committed or invested a relatively small £750m in the UK.

Mr Rodney Hall, managing director of GE Capital's corporate finance group in the UK, was hired from 3i. Formerly Investors in Industry, 3i is the foremost financier and arranger of buy-outs in the UK. However, it has specialised particularly in the smaller end *of the market* and the size of its balance sheet suggests it has limited ability to commit large sums to the *bigger* and bigger deals that seem likely.

Like 3i, GE Capital is not a bank – its *leverage* is about eight times compared with around double that for many banks – and it sees mezzanine as fitting its risk profile, in between the unleveraged investment institutions that invest in high-risk equity and the highly-leveraged banks, which are more comfortable with safer senior debt.

According to statistics from Peat Marwick McLintock, the mezzanine market was a modest £575m until the end of 1988. This year, two deals alone – the £630m buy-out of Magnet, the kitchen retailer, and a leveraged bid of more than £2bn for the Gateway stores group – will more than double the size of that market. Magnet is issuing £190m of mezzanine, while a further £375m is planned for the Gateway bid. GE Capital is in both of them.

There are two layers of mezzanine in Magnet and three in the Gateway deal, catering to different risk profiles. In the Magnet deal, all but one of the senior underwriters also agreed to underwrite the £100m *of senior subordinated debt*. That carries a 3¾ percentage point spread over Libor, compared with a 4¼ point spread for the £30m of junior mezzanine.

Mr Hall sees two main question marks over the future of mezzanine: the extent to which UK insurance companies and pension funds invest, and the extent to which existing investors of subordinated debt in the US and Japan will become interested in taking sterling-denominated mezzanine.

He also notes the assumption among investment bankers *that* mezzanine debt can be swapped into dollars to cater for the appetites of investors in the US and the Far East.

He and others suggest that investors in Japan are showing some interest in the mezzanine debt in the Magnet deal. If so, it may be a source of some minor relief to underwriters now syndicating the transaction, given the poor background for Magnet's main lines of *business* in the UK at present.

This would also seem a critical question for Hoylake, the bidding vehicle through which a consortium led by Sir James Goldsmith is making a £13bn bid *for* BAT Industries.

"One of the interesting ironies of both the Isosceles and *the Magnet deals view* was that the underwriting of the mezzanine was a higher risk exercise than either the equity or the senior debt. We are still awaiting the outcome," he said.

He says it is possible to argue that UK companies "have too much equity and not *enough* debt." Debt to equity ratios have declined in recent years, and some increase in leverage would be beneficial, he says.

Further questions need to be addressed, though, if the leveraged buy-out phenomenon is to grow, Mr Hall agrees. One such question is whether "stub equity" will ever become acceptable to investors. He sees stub equity as a bridge between equity venture capital on *the one* hand and liquid stocks traded over exchanges on the other.

Still the company *is* confident that within two to five years it will be controlling - by acquisition in some markets and by organic growth in others - a significantly big business in the UK.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	106-29	-	10.82	10.70	11.33
		9.750	1/98	98-03	+11/32	10.09	9.99	10.51
		9.000	10/08	98-06	+14/32	9.19	9.15	9.47
US TREASURY *		9.125	5/99	107-04	-3/32	8.05	7.83	8.03
		8.875	2/19	108-14	-3/32	8.12	7.95	8.06
JAPAN	No 111	4.600	6/98	96.7983	+0.148	5.13	5.05	5.24
	No 2	5.700	3/07	106.7581	+0.795	4.98	4.93	5.06
GERMANY		7.000	2/99	102.1000	-0.100	6.68	6.61	6.64
FRANCE	BTAN	8.000	1/94	97.6908	-0.351	8.62	8.53	8.86
	OAT	8.125	5/99	98.1700	-0.230	8.39	8.36	8.65
CANADA *		10.250	12/98	105.8750	-0.250	9.29	9.24	9.30
NETHERLANDS		7.000	3/99	99.7700	-0.305	7.03	6.97	7.07
AUSTRALIA		12.000	7/99	94.4849	-	13.00	13.33	13.50

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Worldwide banks' assets jump $300bn

By **Norma Cohen**

TOTAL ASSETS of international banks soared by nearly $300bn in the first quarter of 1989, up sharply from the expansion seen in the fourth quarter of 1988, according to the Bank for International Settlements.

The BIS, in its quarterly *review, noted that, although a* portion of the increase was accounted for by so-called "window dressing" by Japanese banks, much of the activity was broadly based. In contrast, banks in the BIS-reporting network saw an increase of only $38bn in the fourth quarter of 1988.

Once re-depositing of borrowings among BIS banks was removed from the data, the banks still recorded an impressive $90bn increase in net assets, nearly double that *recorded in the preceding quarter*.

A portion of the increase in assets reflects favourable macro-economic conditions in BIS nations. But the surge also reflects some longer-term trends, particularly the need for banks to raise funds to comply with new international guidelines on capital adequacy.

Also, the lifting of foreign exchange controls within Europe ahead of 1992 has permitted increased access abroad for non-bank companies and *thus provoked higher demand* for foreign currencies.

The advent of 1992 has prompted many institutions to relocate a portion of their financial activities within the European Community.

Globex judged 'not anti-competitive'

By **Katharine Campbell**

THE GLOBEX system for screen-based futures and options trading is not significantly anti-competitive, Sir Gordon Borrie, the Director General of Fair Trading has ruled.

But London's futures exchanges have greeted Sir *Gordon's report with some con*sternation.

Globex has applied for recognition as an overseas exchange under the Financial Services Act.

Although the final decision lies with the Secretary of State for Trade and Industry, Mr Nicholas Ridley, Sir Gordon's findings considerably smooth the path to regulatory approval in the UK of the new system, which plans to launch in the US before the end of the year.

London's existing exchanges are unhappy with the Office of Fair Trading's report and its examination of the agreement between the world's second largest futures exchange, the Chicago Mercantile Exchange, and Reuters, the information vendor.

It is understood that Liffe, and possibly other exchanges, will take up with the Department of Industry its contention that elements of the agreement are anti-competitive.

One controversial clause of the agreement effectively prevents other exchanges from using the Reuters system in a similar way, or indeed to disseminate prices to their own independent automated systems.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Aug 7 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Aug 4 Index No.	Thu Aug 3 Index No.	Wed Aug 2 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (207)	999.37	+0.6	10.63	4.02	11.57	19.57	993.75	987.84	988.27	826.39
2	Building Materials (29)	1218.47	----	12.08	4.35	10.31	25.92	1218.57	1220.91	1218.32	1051.15
3	Contracting, Construction (38)	1624.46	----	14.35	4.30	9.11	32.70	1623.95	1615.47	1613.23	1626.89
4	Electricals (9)	2972.12	+0.6	7.87	3.87	15.72	50.60	2954.36	2898.20	2913.79	2240.27
5	Electronics (30)	2283.37	+1.0	8.55	3.28	15.26	43.06	2259.83	2241.35	2260.81	1798.32
6	Mechanical Engineering (55)	548.52	+0.3	9.67	3.91	12.63	9.57	546.64	543.86	543.39	437.20
8	Metals and Metal Forming (6)	520.37	-0.1	19.36	5.77	5.67	14.84	520.79	518.95	519.52	504.80
9	Motors (17)	362.24	+0.7	10.35	4.19	11.35	6.83	359.81	358.13	360.56	294.82
10	Other Industrial Materials (23)	1751.35	+1.3	8.85	4.01	13.50	33.56	1729.53	1704.48	1693.83	1340.50
21	CONSUMER GROUP (186)	1359.57	+0.5	8.02	3.14	15.66	20.36	1353.20	1340.21	1342.27	1118.61
22	Brewers and Distillers (22)	1509.13	+0.5	8.83	3.24	14.17	21.93	1502.28	1493.00	1478.02	1139.84
25	Food Manufacturing (20)	1201.81	+0.5	8.40	3.48	14.89	20.55	1195.61	1189.80	1195.10	1013.03
26	Food Retailing (14)	2621.81	+1.2	7.69	2.63	17.19	32.27	2590.34	2579.10	2592.45	2012.53
27	*Health and Household (14)*	*2476.38*	*+0.1*	*5.93*	*1.65*	*19.88*	*22.24*	*2473.39*	*2401.41*	*2414.82*	*1881.64*
29	Leisure (33)	1781.62	+0.1	7.07	3.13	17.54	29.39	1779.13	1774.83	1775.55	1395.36
31	Packaging & Paper (15)	623.62	+2.2	9.40	3.97	13.44	9.11	610.04	607.08	608.09	540.08
32	Publishing & Printing (19)	3803.06	+0.9	8.35	4.38	15.42	72.55	3768.24	3751.95	3754.59	3647.52
34	Stores (34)	911.11	+0.3	9.61	3.99	13.58	16.19	908.61	904.86	908.33	829.62
35	Textiles (15)	562.42	+0.2	10.63	5.16	11.26	15.06	561.31	559.56	561.71	614.11
40	OTHER GROUPS (93)	1198.90	+0.7	9.63	3.97	12.63	20.52	1190.22	1185.81	1188.04	909.89
41	Agencies (17)	1572.44	+0.7	6.73	2.15	18.42	18.99	1561.45	1532.59	1504.31	1119.23
42	Chemicals (22)	1329.26	+0.5	11.12	4.66	10.60	28.02	1322.35	1315.33	1318.86	1078.57
43	Conglomerates (13)	1765.78	+0.5	9.68	4.62	12.15	26.22	1757.86	1741.62	1725.80	1237.09
45	Transport (13)	2477.07	+0.4	8.46	3.64	15.35	39.22	2467.38	2458.04	2471.72	1990.22
47	*Telephone Networks (2)*	1083.71	+0.3	11.31	4.58	11.52	22.38	1081.01	1080.94	1087.75	970.09
48	Miscellaneous (26)	1988.43	+1.9	8.26	3.02	13.74	29.00	1951.48	1959.85	1982.59	1211.64
49	INDUSTRIAL GROUP (486)	1238.99	+0.6	9.17	3.61	13.48	20.83	1231.98	1223.13	1225.04	998.43
51	Oil & Gas (14)	2197.38	+0.8	9.66	5.09	13.76	64.24	2180.28	2154.57	2152.42	1846.43
59	500 SHARE INDEX (500)	1320.58	+0.6	9.23	3.80	13.52	24.38	1312.74	1302.53	1304.13	1070.40
61	FINANCIAL GROUP (124)	791.01	+0.1	–	5.13	–	18.87	790.36	786.36	784.96	718.34
62	Banks (9)	787.36	+0.5	21.95	6.34	5.99	23.46	783.48	783.10	781.67	679.93
65	Insurance (Life) (8)	1187.97	-0.1	–	5.03	–	29.86	1189.50	1175.81	1171.25	1082.74
66	Insurance (Composite) (7)	628.61	-1.1	–	5.73	–	16.75	635.56	624.43	620.81	561.39
67	Insurance (Brokers) (7)	951.03	-0.6	7.94	6.53	16.95	31.63	957.20	957.06	958.84	1083.89
68	Merchant Banks (10)	368.58	+0.1	–	4.30	–	7.30	368.09	365.64	366.77	362.29
69	Property (52)	1383.49	+0.2	6.14	2.83	20.75	17.86	1380.32	1378.91	1375.70	1255.59
70	Other Financial (31)	377.47	+0.7	10.66	5.79	12.06	9.63	374.80	373.24	376.15	385.56
71	Investment Trusts (69)	1244.39	+0.5	–	2.66	–	15.47	1238.46	1228.99	1227.31	933.03
81	Mining Finance (2)	707.88	+1.0	7.84	3.63	14.21	10.45	700.89	692.19	692.01	527.65
91	Overseas Traders (8)	1403.20	----	9.92	5.06	11.51	43.33	1403.24	1414.67	1426.46	1172.98
99	ALL-SHARE INDEX (703)	1191.07	+0.5	–	3.97	–	22.73	1184.92	1176.27	1177.16	978.58

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 4	Aug 3	Aug 2	Aug 1	Jul 31	Year ago
FT-SE 100 SHARE INDEX‡	2341.5	+14.0	2341.5	2328.1	2327.5	2306.3	2307.8	2292.3	2297.0	1876.0

FIXED INTEREST

	PRICE INDICES	Mon Aug 7	Day's change %	Fri Aug 4	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.53	-0.05	118.58	–	7.13
2	5-15 years	134.00	+0.09	133.88	–	8.36
3	Over 15 years	147.15	+0.14	146.94	–	7.38
4	Irredeemables	168.62	+0.05	168.54	–	7.32
5	All stocks	131.88	+0.05	131.81	–	7.94
	Index-Linked					
6	5 years	140.93	-0.07	141.04	–	1.36
7	Over 5 years	138.20	....	138.19	–	2.33
8	All stocks	138.29	....	138.29	–	2.24
9	Debentures & Loans	113.99	+0.03	113.96	–	6.16
10	Preference	88.56	-0.02	88.58	–	3.50

	AVERAGE GROSS REDEMPTION YIELDS		Mon Aug 7	Fri Aug 4	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.55	9.57	9.66
2		15 years	9.16	9.16	9.38
3		25 years	9.09	9.08	9.08
4	Medium Coupons	5 years	10.46	10.45	10.11
5		15 years	9.58	9.60	9.60
6		25 years	9.21	9.23	9.31
7	High Coupons	5 years	10.60	10.57	10.21
8		15 years	9.78	9.81	9.75
9		25 years	9.38	9.41	9.34
10	Irredeemables†		9.13	9.13	9.65
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.99	2.96	2.90
12	Inflation rate 5%	Over 5 yrs.	3.54	3.54	3.82
13	Inflation rate 10%	5 yrs.	2.23	2.20	1.89
14	Inflation rate 10%	Over 5 yrs.	3.38	3.37	3.65
15	Debs & Loans	5 years	12.61	12.61	10.86
16		15 years	11.98	11.98	10.85
17		25 years	11.37	11.38	10.85
18	Preference†		10.27	10.27	9.79

‡Opening index 2328.6; 10 am 2331.4; 11 am 2333.0; Noon 2333.1; 1 pm 2333.2; 2 pm 2333.1; 3 pm 2335.3; 3.30 pm 2333.6; 4 pm 2334.3 (a) 5.00pm (b) 9.13am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	44	32	29
Corporations, Dominion and Foreign Bonds	0	10	34
Industrials	448	274	853
Financial and Properties	210	94	365
Oils	34	13	46
Plantations	1	1	9
Mines	59	23	93
Others	132	38	98
Totals	928	485	1,527

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
130	F.P.	-	162	143	Abbey National 10p	143½	-1	17.7	2.7	7.2	5.9
§75	F.P.	-	91	75	‡Alpha Estates 5p	90		u2.81	1.9	4.2	17.0
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LONDON TRADED OPTIONS

ASDA WAS the busiest options stock yesterday on the London Traded Options Market, spurred by continued bid speculation, in what was otherwise a dull market, with traders becalmed in the holiday season and short of strategies in the middle of the stock exchange account.

Total option turnover amounted to 30,530 lots, with 19,639 calls. Volumes in the cash market were also on the low side, with just 345m shares changing hands.

A high proportion of yesterday's trades were opening positions, reflected in significant increases in open interest in a number of stocks, although systems problems prevented LTOM from furnishing a breakdown of these figures.

Dealers noted the focus of attention in Asda, the subject of takeover rumours for months, was in the September 200 calls, where 1,061 options traded. Overall turnover in the option amounted to 2,507, largely calls, with 2,184 lots changing hands.

Another option that has been sparking some unusual interest recently is British & Commonwealth. Here 1494 lots were seen, again predominantly calls (1,269). In the January 200 call series, 676 lots traded, and there are rumours that the interest stems from a prospective buyer on the Continent. These volumes were significant, dealers noted, following Friday's trades amounting, in yesterday's session, to some 4 per cent of the entire volume for 1988, which was under 37,000.

Meanwhile, despite a 14 point upwards move in the FT-SE index, traders said the market was directionless and trading in the option index was correspondingly lacklustre. The FT-SE index closed at 2341.5. In the index option, the day's total was just 4,546 contracts, with over half the activity (2,609) in puts. The FT-SE future on Liffe was also exceptionally quiet: only 12,600 futures changed hands.

Meanwhile, the second most traded option was British Gas, with 2,236 trades. The biggest trades were in the September 180 puts — 1,000lots —, with participants reportedly buying back cheap puts rather than running them to expiry.

Option	CALLS Oct	CALLS Jan	CALLS Apr	PUTS Oct	PUTS Jan	PUTS Apr
[illegible]						

TRADITIONAL OPTIONS

● First Dealings Aug 7
● Last Dealings Aug 18
● Last Declarations Nov 9
● For settlement Nov 20

For rate indications see end of London Share Service

[illegible]

Striking a balance between old and new

Lisa Wood on the need to develop successful international brands to ensure a market for the future

THE key investment and strategic task facing BAT's vast tobacco empire is to develop a range of international cigarette brands to compete with those which have powered the recent growth of its major rivals.

BAT tobacco businesses have been built up around the globe since 1902 on a raft of national, not international, brands.

But today, internationally selling brands of cigarettes, such as Philip Morris's Marlboro and RJR Nabisco's Camel and Winston, have become the three largest sellers, while BAT's Benson & Hedges and Kent brands are only six and seventh in the league table of international brands selling outside the UK and US in non-communist countries. Although the global market for cigarettes is static, sales of the top three selling international brands have increased by 26 per cent over the past five years. Ageing national brands – where BAT is strongest – have been the chief victims of this expansion.

Growth of the international brands – most of which are based on mild-tasting American blend tobaccos and heavily promoted with image orientated advertising – has been strong not only in Europe but also in the Far East, a key development area for all the international tobacco companies.

For example, the growth in sales of Marlboro in Europe and Japan has helped thrust Philip Morris into a position where it is now neck and neck with BAT Industries for volume leadership in free-world sales.

BAT says its volume of sales outside the communist bloc over the past five years has stagnated at around 19.5 per cent, while those of Philip Morris have grown from 16 per cent to 19.5 per cent in the same period.

In 1988 BAT's tobacco profits – at £756m some 46 per cent of trading profits – were only marginally ahead of the previous year's £722m. But currency fluctuations had an adverse impact on the sterling figure and BAT says that trading profits in local currency terms rose more sharply.

Several factors help to explain why BAT was slow to develop international brands.

"Our main problem was that we did not have the right brands to develop and we did not have a credible base in the US from which to grow," said Mr David Haywood, deputy chairman of BATCO.

Complicated agreements with other tobacco companies, including Imperial Tobacco of the UK, have meant that Brown & Williamson, BAT's US tobacco manufacturer, owns the international rights to brands such as Lucky Strike and Pall Mall, but not US domestic rights.

So, the US company was unable to develop the strong domestic base which makes a crucial marketing spring board for an international brand.

BAT did launch Lucky Strike as an internationally selling brand in the late 1960s, but says it made the move too early and quickly dropped the effort.

It was only in the late 1970s that the group, seeing its rivals taking the lead, launched Barclay – a low tar cigarette made of US blended tobaccos – as an international brand.

Today Barclay, along with Kent, Capri and Benson & Hedges – to which BAT does not have the UK rights – make up BAT's international brand portfolio.

Its national brands include HB in Germany, and Hollywood and Belmont in Brazil – the largest market for BAT's cigarettes, although not the most profitable in part because of currency fluctuations.

"Group strategy today is to put a disproportionately large investment behind our international brands, particularly in Europe and East Asia, with the latter area, we believe, being the greatest opportunity for BAT," says Mr Haywood.

While BAT's African, Brazilian and Indian sub-Continental local brands are still generally holding their own, it is in Continental Europe that the biggest battle between national and international brands has developed.

Philip Morris, for example, has been making major incursions in West Germany, although BAT has held its market share in Switzerland, Holland and Belgium.

Mr Haywood maintains that "there is a swing towards international brands throughout Europe, and as our local brands go down in sales we are replacing them with our international brands".

It is an expensive ploy that analysts believe could be successful in the long term, despite Marlboro and Camel being the current star draws for European smokers. As Mr Les Pugh, of Salomon Brothers, the stockbrokers, puts it "its a very difficult balancing act between the old and the new, and there is no real evidence at present that the strategy is not working".

Important markets are still to be attacked.

In West Germany, for example, BATIG, BAT Industries's German subsidiary, has not yet launched an international brand successfully. Sales of its HB national brand ,once the largest seller in Germany, have been eroded, particularly by Marlboro.

The group sells no cigarettes in the UK - a product of the group's history and, competitors claim, a mistaken marketing strategy.

Up until 1973 – when it was declared illegal by the European Community – BAT had an agreement with Imperial Tobacco not to sell cigarettes in the UK.

Then, in 1978, BAT attacked the UK market. It launched several brands including State Express and Du Maurier. But its marketing strategy failed and it pulled out in 1983. A competitor commented that "BAT tried to buy market share by slashing prices. But, when it increased prices, smokers abandoned the brands. BAT simply did not give itself time to establish them. It is a mistake, however, that it does not seem to be making with Barclay."

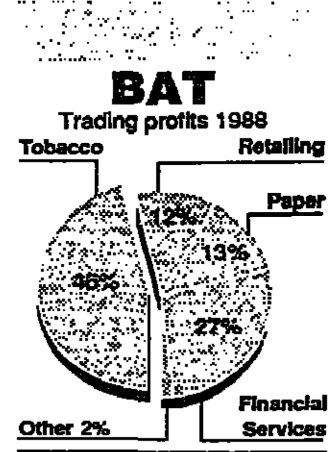
The tobacco business has been the source of much of BAT's investment funds, although it has never been starved of resources itself, industry analysts say.

But tobacco requires long term investment not only in new brands but also in industry-wide areas such as countering the anti-smoking lobby.

So, its competitors argue, BAT's tobacco interests could be harmed if the tobacco businesses have to assist in financing substantial borrowings should Sir James Goldsmith's takeover be successful.

The first articles in this series were published on July 27.

Sir James Goldsmith's Hoylake Investments today will publish its offer document in the *£13bn takeover* bid for BAT Industries. In the second of a series of articles on the conglomerate's constituent sectors, Lisa Wood in London, Anatole Kaletsky in New York and Ivo Dawnay in Rio de Janeiro look at the main parts of BAT's original core business, tobacco.



Souza Cruz — just nine days to make a profit

By Ivo Dawnay in Rio de Janeiro

THE UNBUNDLING of assets and corporate bureaucracy may be *à la mode* in developed countries, but on the extremities of BAT Industries' empire, the price of making profit is having the government as a partner – even if it owns none of the equity.

Like it or not, companies like Souza Cruz, BAT's vast Brazilian subsidiary, must work with a level of regulation and control more usually associated with the communist bloc.

Moreover, in the current climate of chronic inflation and constant rule changes, Souza Cruz's results are as much dependent on deft financial management and tactful political negotiation as on product and marketing.

For all that, the accountants and takeover analysts now evaluating BAT's 75 per cent stake in Souza Cruz must see in its core cigarette business one of the most efficiently managed cash enterprises in the world.

Control of cash flow is the secret. The Brazilian cigarette business itself lost $1.6m last year on sales of $2.1bn before taking into account profits on the money market.

Each week, the company services 250,000 retail outlets by direct sales across a country substantially larger than the mainland US. Local agents from the remotest Amazon river stations to deep in the southern pampas deliver the goods, take cash receipts and transfer the total to a central account on average within a single day.

That gives financial managers about nine days access to the money markets before 75 per cent of their takings – one of the highest tobacco tax rates in the world – must be transferred to the national Treasury.

Meanwhile, as their staff paddle or plod across the country, executives in Souza Cruz's discreet Rio de Janeiro headquarters must prepare for the monthly battle with Brasilia on the price rises needed to compensate for an inflation rate now running at 25 per cent every 30 days.

The reward for being, as one banker put it, "the government's most effective tax collector," is an 80 per cent slice of the world's third largest cigarette market, where 158bn cigarettes are sold each year and where the annual growth potential is estimated at between 2 per cent and 5 per cent.

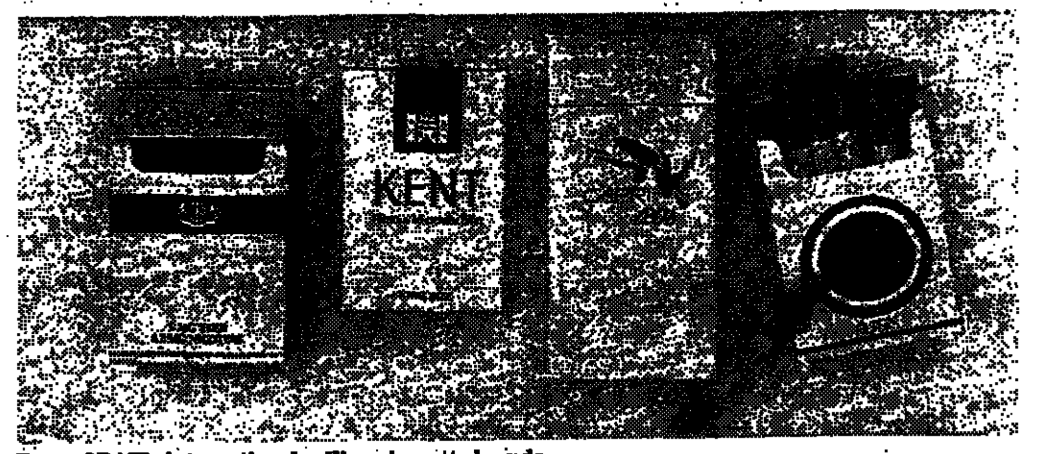
Souza Cruz's 85 years in Brazil and carefully nurtured sales net have left rivals RJ Reynolds and Philip Morris with less than 9 per cent each. The remaining silver resting in the hands of Brazilian companies.

In 1988, profits for Cia Souza Cruz Industria e Commercio, holding company for the 14-unit agro-industrial group, dropped back from a recent average of over $100m to $78m on total sales of $2.65bn. Yet, this year, as clear evidence of the dramatic impact of government decision-making, it recorded a $120m profit in the *first half alone.*

The vast bulk came not from cigarettes but from money market operations, tobacco exports and a 30 per cent participation in Aracruz Celulose, the star performer in Brazil's paper and pulp industry.

Nevertheless, Souza Cruz's diversification – launched in the 1960s in parallel with its UK parent – has travelled a bumpy road.

Among the duds were an investment in fish farming and a venture into supermarket retailing, both aborted.



Four of BAT's international selling cigarette brands

In 1984, it bought Maguary, a fruit juice producer that quickly ran into problems in the 1986 price freeze and, a year later, had its products withdrawn from sale for several months after a dispute with health inspectors over the quantities of preservatives being used in production. It is still in intensive care.

However, there have also been a number of successes consolidating the company's *vertical integration. A 49 per cent state in Polo Industria e Commercio* with Hercules of the US has given it a propylene production facility with sales of $40m last year.

It also acquired Papel Pirahy from BAT's Wiggins Teape subsidiary to supply papers. And from a launch in 1980, overseas tobacco sales now *account for turnover of $229m* and profits of $43m, making Souza Cruz the single largest supplier on the world market.

But the shrewdest buy was undoubtedly the decision in 1972 to pay $400m for the stake in Aracruz Celulose whose short-fibre eucalyptus plantations in the coastal state of Espirito Santo are widely regarded as the world's most cost-efficient and profitable pulp and cellulose operation. Last year, 80 per cent of Aracruz's $310m sales were overseas.

All these acquisitions have been achieved with virtually no borrowing and out of local earnings.

So what potential is there in unbundling Souza Cruz? Its market capitalisation, about $1.5bn based on the value of the 25 per cent held on Brazil's notoriously switchback stock exchange, appears absurdly low given its sales and assets.

Aracruz alone is valued at a similar price. But this is to *ignore the extreme uncertainty* of its host country's political and economic outlook and, most important of all, its strict laws on foreign capital and profit remittance.

Under these, Souza Cruz is able to remit each year just 12 per cent of its registered capital – in effect imported investment, now standing at a mere $240m. Anything above that percentage attracts punitive taxation, virtually enforcing the investment of profits in excess of $30m into local projects.

Thus while companies such as the loss-making Maguary could be sold, though almost certainly at a loss, the capital raised would again need to be locally invested.

Disposal of the Aracruz stake would be eccentric, to say the least, as the company is now doubling capacity and is on the eve of a rapid acceleration in sales, mainly in coveted dollar-earning exports. Most other subsidiaries are suppliers closely integrated into the cigarette production process.

Souza Cruz remains ideally placed to exploit one of the world's last great potential cigarette markets. Brazilians still smoke far less per head than their cousins in the developed world, inhibited not by fear but by lack of disposable income.

For the Brazilian government, Souza Cruz represents a dilemma. Only a few years ago the company – the third largest in Brazil after Shell and VW – generated 11 per cent of all government revenues, more than the armed forces' budget.

To restrain inflation, tobacco's weight in the retail price index has now been nearly halved from a rate until recently close to 5 per cent. To help to offset the effect on revenues, due dates for tax payments have also been shortened.

Souza Cruz may appear an extremely attractive asset to BAT's predators. But there seems to be little or no concern in Brasilia that any change of ownership could allow its golden goose to be plucked, unbundled or filleted through the bars of its regulatory cage.

Kleinwort disowns alternative BAT plan

By Nikki Tait

KLEINWORT BENSON, the UK merchant bank, yesterday made a formal statement disassociating itself from the "alternative" plan for BAT Industries being publicised by Mr Antonio von Marx, a distant cousin of Sir James Goldsmith.

Kleinwort Benson said that "it wishes to make clear that it has no involvement whatsoever with the attempt by the AIM Group to reorganise BAT Industries."

AIM, in which Mr von Marx is a partner, claims to be a small mergers and acquisitions business in Zurich.

At the weekend, Mr von Marx sent out another batch of press releases, maintaining that Kleinwort has agreed to take part in a divestment programme of BAT's non-tobacco business.

That brought swift corrective action from the bankers.

"We don't like our name being used in this way," said Kleinwort, "It could be misleading".

The bank concedes that there has been limited contact with Mr von Marx, but says that this consisted of one discussion "of a very general kind."

MAES Funding No. 2 PLC

£300,000,000
Mortgaged Backed
Floating Rate Notes due 2017

Notice is hereby given that the Rate of Interest has been fixed at 14·025% for the interest period 4th August, 1989 to 6th November, 1989.

The Interest amount payable on 6th November, 1989 will be *£3,597·47 in respect of each* £99,600 Principal Amount Outstanding of each Note.

Canadian Imperial Bank of Commerce
Agent Bank
4th August, 1989

Brown & Williamson provides lifeblood for expansion plans

By Anatole Kaletsky in New York

AS PER CAPITA income increases and restrictions on imports are loosened, the Far East has become the greatest area of growth for consumption of western cigarettes, says BAT.

Its a marketplace where, armed with its Lucky Strike and Kent international brands, it is successfully doing battle with the likes of Philip Morris, RJR Nabisco and Rothmans International.

BAT says that the total volume of imported cigarettes to China – some 1.8 per cent of total sales – is equal to its total sales in Switzerland, the Netherlands and Belgium.

IF ANY single activity can be described as the heart which pumps the financial lifeblood through the BAT giant, it is Brown & Williamson, the US tobacco company.

On paper B&W, based in the pleasant blue-grass horse country of Louisville, Kentucky, is only the third largest cigarette company in the US, after Philip Morris and RJ Reynolds. In reality it is the core of the world's biggest tobacco business.

B&W's businesses throughout the world fit like a neatly-cut jigsaw piece into the map of BAT's far-flung international empire.

Its importance is gauged from its contribution to the group's finances. Last year it provided 48 per cent of the £756m tobacco activities' trading profits. These tobacco profits accounted for 46 per cent of group trading profits and a much higher, though undisclosed, proportion of the cash flow.

Thus, while B&W's annual sales of $2.8bn accounted for only nine per cent of total revenues *it probably generated* about 33 per cent of the cash fuelling the group's expansion around the world.

Just as importantly, B&W's sales and profits have started to grow strongly in recent years after a long period of stagnation, largely because of the company's important presence in the rapidly growing export market to Japan. As a result its importance to BAT's worldwide ambitions is now as great as it has ever been since 1927, when the old British American Tobacco re-entered the US market by buying the company.

According to Mr Raymond Pritchard, the English-born veteran of BAT's tobacco operations in Britain, India and Brazil, who is now chief executive of B&W, the most important recent breakthrough for the company came in April 1987 when the Japanese market for foreign-made cigarettes was significantly liberalised in response to mounting pressure from the US government.

Since then foreign cigarette sales in Japan have grown more than threefold and B&W, which supplies 22 per cent of the country's cigarette imports, ranks second, behind Philip Morris, in this profitable and dynamic market.

B&W's revenues increased to $2.5bn in 1987, after being stuck on a plateau of about $2.3bn for three years. Last year, sales rose by a further 12 per cent to $2.8bn, with exports again taking most of the credit.

Exports now account for about one-third of B&W's output of about 90bn cigarettes a year. Japan, where Mr Pritchard says the company is selling about 9bn cigarettes a year, has easily overtaken the Middle East, which takes 5bn cigarettes, as the company's biggest foreign market.

The next biggest export territory, and one potentially even more promising than Japan, is China. While all BAT group sales in China are handled by the Hong Kong office of the *London-based BATCo, about* 4bn of the BAT cigarettes sold there are produced by B&W in the US.

B&W's strong position in the Asian export markets provide a prime example of the advantages of operating within a huge worldwide group like BAT, Mr Pritchard contends.

The company's leading cigarette in both Japan and the Middle East is Kent. This brand was created in the US by Lorillard, but the overseas rights to it were sold in 1977 to BAT when the relatively small US company decided to pull out of international markets.

BAT transferred Kent and Lucky Strike, another key brand which it owned only outside the US, back to B&W, recognising that its US subsidiary would be best suited to handling the manufacture and distribution of cigarettes based on American trademarks and tobacco formulae.

The decision to serve the Japanese market in particular from the US turned out to be providential, not only because Japanese smokers prefer cigarettes which use American tobacco and charcoal filters, but also because of the political push from the US to open the country's market.

While rising exports have been responsible for much of the growth in B&W's sales and profits, the domestic business has also shown signs of improving after a lacklustre period which lasted for more than a decade. The main reason has been a major advertising and promotion campaign to stem the decline in B&W's biggest US brand, Kool.

While Kool is still the fourth biggest selling cigarette in the US, after Philip Morris's Marlboro and RJR's Winston and Salem, its share of the market was falling precipitously in the early 1980s. Although B&W executives do not like to stress this factor, a major reason was the racial mix of its customers.

According to Wall Street analysts menthol cigarettes *appeal predominantly to black* smokers, whose incomes fell relative to other Americans in the early 1980s. Kool had the further disadvantage of an older demographic profile than other leading brands.

B&W tried a number of approaches to address its market share problems. In the late 1970s it pioneered the sale of *budget-priced cigarettes. Amazingly* to many foreigners, the US market had previously operated with a single price point for all brands and essentially no price competition between manufacturers.

In 1987 it introduced Capri, an ultra-slim brand which has gone down well among young women.

Most importantly, last year it expanded an experimental marketing and sales programme, begun in 1987, to rebuild the Kool brand. The campaign, with the slogan "KOOL and Mild Today", has had some success in broadening the brand's appeal and its market share has stabilised since 1987 at about six per cent.

However the jury is still out on Kool's future according to industry analysts. And the verdict is all-important for B&W since Kool still accounts for about 55 per cent of the company's domestic sales.

This advertisement is issued in compliance with the regulations of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an invitation to any person to subscribe for or purchase any securities in Corton Beach PLC.

Corton Beach PLC

(Registered in England and Wales No. 675126)

Proposed Issue
of
up to 11,277,980 7½p (net) convertible cumulative
redeemable preference shares of 10 pence each
at 100p per share
("new Convertible Preference Shares") in connection with the
Offer for the whole of the issued ordinary share capital of
Lyon & Lyon plc not already owned by Corton Beach PLC

Permission has been granted by the Council of The Stock Exchange for the new Convertible Preference Shares to be dealt in in the Unlisted Securities Market. Following the passing of the Resolutions at the Extraordinary General Meetings of the Company reconvened for 7th August, 1989, dealings will commence today. It is emphasised that no application is being made for these securities to be admitted to the Official List.

Particulars of the new Convertible Preference Shares are available in the Extel Unlisted Securities Market Service.

Copies of the circulars to shareholders dated 19th June, 1989, 1st August, 1989 and 7th August, 1989 containing particulars given in compliance with the regulations of the Council of The Stock Exchange relating to Corton Beach PLC and (including details of the new Convertible Preference Shares, may be obtained during normal business hours and for two business days from the date of this notice from the Company Announcements Office of The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD, for collection only and on any weekday (Saturdays and public holidays excepted) for 14 days from the date of this notice from:

Brown, Shipley & Co. Limited, Founders Court, Lothbury, London EC2R 7HE

Panmure Gordon & Co. Limited, 9 Moorfields Highwalk, London EC2Y 9DS

Brown Shipley Stockbroking Limited, Founders Court, Lothbury, London EC2R 7HE

8th August, 1989

Arncliffe pushes profits to £0.87m

Arncliffe Holdings, property developer, managed to achieve a substantial increase in both taxable profit, up from £561,000 to £868,000, and turnover, up from £4.7m to £9.18m, for the six months to April 30 1989.

Tax jumped from £80,000 to £304,000, leaving earnings per share of 11.28p (9.62p).

An interim dividend of 2.25p (2p) is declared.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Arncliffe Hldgs ....int	2.25	-	2	-	6
Ashtead Group § ......fin	1.85†	Oct 18	1.45*	2.5	2*
Clayform Props ....int	3.5	Dec 6	3.1	-	9.5
Dunton Group § ....fin	0.52	-	0.5	1	0.76
Inv Tr Guernsey ....int	0.5	-	0.44	-	1.75‡‡
Relyon Group ....int	2.1	–	2.1	–	6.25

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¢Third market. ‡‡Gross

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Capital & Counties, Continental & Industrial, Dares Estates, Kleinwort Overseas, Life Sciences, Manchester Ship Canal, Paper Systems, Trencherwood, WPP.
Finals- BTR, Charterhall.

FUTURE DATES

Interims-

AAF Investment	Aug. 16
Anglo American Gold	Sept. 6
Anglo American Industrial	Aug. 17
De Beers Cons Mines	Aug. 15
Equity & Law Intl	Aug. 22
Fergebrook	Aug. 10
Nichols (JN) (Vimto)	Aug. 16
Queens Moat Houses	Aug. 16
Standard Chartered	Aug. 16
T&N	Sept. 6
Finals-	
GT Japan Inv Trust	Sept. 25
Green (Ernest)	Sept. 18

Blacks Leisure Group plc
Offer for A. Goldberg & Sons PLC

Charterhouse Bank Limited ("Charterhouse") announces on behalf of Blacks Leisure Group plc ("Blacks") that, by means of a formal offer document dated 7 August 1989 (the "Offer Document") despatched to shareholders of A. Goldberg & Sons PLC ("Goldberg") yesterday, Charterhouse has made an offer (the "Offer") on behalf of Blacks to acquire Goldberg Shares. Terms defined in the Offer Document have the same meanings in this advertisement.

The Offer for Goldberg Ordinary Shares is on the basis of 22 new Blacks Ordinary Shares for each Goldberg Ordinary Share. The full terms and conditions of the Offer are set out in the Offer Document. This advertisement does not constitute and must not be construed as an offer. Persons interested may only rely upon the Offer Document for all its terms and conditions.

The Offer will not be made directly or indirectly in, or by the use of the mails or by any means or instrumentality of interstate or foreign commerce or of any facilities of a national securities exchange of, the United States. The new Blacks Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, and, accordingly, will not be, directly or indirectly, offered, sold or delivered in the United States or to or for the account or benefit of any US person.

The existence of the Offer is by means of this advertisement advised to all persons to whom the Offer Document may not be despatched who hold, or who are entitled to have allotted or issued to them, Goldberg Shares. Such persons are informed that copies of the Offer Document and Form of Acceptance will be available for collection from The Royal Bank of Scotland plc, Registrar's Department, P.O. Box 451, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4TG and from Charterhouse Bank Limited, 1 Paternoster Row, St. Paul's, London EC4M 7DH.

The Directors of Blacks accept responsibility for the information contained in this advertisement. To the best of the knowledge and belief of the Directors of Blacks (who have taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information.

This advertisement is published on behalf of Blacks and has been approved by Charterhouse, which is a member of The Securities Association, solely for the purposes of section 57 of the Financial Services Act 1986.

8 August 1989

Ward White denial on Bankers Trust approach

By Philip Coggan

WARD WHITE, the retail group fighting off a £900m bid from Boots, yesterday denied that Bankers Trust, the US banking group, was one of the groups which had approached it with rival proposals to the Boots offer.

Boots increased its offer to 445p per share – and added a cash alternative – on Friday. Ward White immediately rejected the increased bid and Mr Philip Birch, the group's chairman, said that the company was examining alternative proposals "with greatest urgency".

Press speculation had centered round the fact that Mr Graham Walsh, a Ward White non-executive director, was also an employee of Bankers Trust. It was therefore assumed that Bankers Trust would lead a leveraged buyout of the group.

However, both Ward White and Bankers Trust ruled out the possibility yesterday and talks about the two or three plans proposed by other groups are believed to be at very early stages. An announcement is unlikely this week.

The proposals, which include at least one from a US financial institution, are believed to involve a significant amount of debt, which could lead to the sale of part of the Ward White group. All of the proposals envisage the current management continuing in office.

Any negotiations will have to be conducted quickly since Boots set an August 22 final closing date for its bid. So far, Boots owns, or has received acceptances for, 12.6 per cent of Ward White's equity.

Holmes & Marchant scraps Addison bid plan

By Ray Bashford

HOLMES & MARCHANT, the marketing consultancy group, has scrapped a plan to make a rival bid to the agreed £5m management buy-out of the design division of Addison Consultancy, the market research and public relations company.

The decision yesterday by Mr John Holmes, the chief executive of Holmes & Marchant, not to launch a bid followed strong objections from some senior members of the design company's staff to the alternative offer.

Agreement on the management buy-out was reached last week following several months of arduous negotiations which have split the Addison board and in June forced the resignation of the group's legal, stockbroking and corporate advisers.

The sale of the design business is the last major step in Addison's plan to dispose of businesses peripheral to market research.

Senior executives of the design company claim that members of the staff have been approached in an attempt to seek their support for an alternative offer from Holmes.

The design company executives have claimed also that at least one director of Addison has attempted to persuade employees of the additional benefits of Holmes' proposed offer.

Ms Liz Nelson, chairman of Addison, yesterday denied that she had ever "taken an active part" in trying to convince people of the possible advantages of the alternative offer. However, she said that if other "better" offers were available she felt an obligation to give them consideration.

However, Mr Holmes said yesterday: "The approach made by Holmes & Marchant Group has at all times been conducted in accordance with the highest business ethics and at no time has anything other that the strictest confidence been observed."

Mr Holmes said his company had been watching developments at Addison "for some considerable time and despite various misconceptions about the management buy-out of the design division knew that the business could be for sale to a suitable purchaser prepared to offer Addison a better deal."

A source close to the situation yesterday said that two other companies had expressed interest in the purchase of the design company after waiting for the terms of the management buy-out to become public.

The design company returned sales of £18.9m in the year to December 31 last year and made pre-tax losses of £352,000 compared with a profit in the previous 12 months of £1.5m.

The management team, headed by Mr Steve Smith, is offering £4.75m in cash with the rest in loan notes. The deal also contains a deferred consideration of up to £2.2m pegged to the performance of earnings.

Goldberg shuns Blacks document

By Nikki Tait

BLACKS LEISURE, the sports and leisurewear retailer, yesterday posted its formal offer document for A Goldberg, the Glasgow-based fashion retailer, claiming that its own management and experience would be better placed to "revitalise" Goldberg's retail operations.

It brought a speedy riposte from Goldberg which claimed that Blacks was not offering to do anything in terms of design, sourcing and merchandising which Goldberg's strategy would not tackle anyway.

And it quickly drew attention to the pro-forma balance sheet, published in the listing particulars to the all-paper £33m offer. It pointed out that, as of July 21, Blacks had net debts of over £10.4m. This compares with net assets at February 25 of £7.3m.

Goldberg also noted that Charterhall, the UK investment company headed by Mr Russell Goward, has agreed to pay £150,000 towards the costs of the bid if it fails, and suggested that this indicated some desperation on the part of Charterhall to shift its stake. Charterhall, which has a 29.9 per cent stake in Goldberg, has already given an irrevocable undertaking to accept.

Blacks' advisers declined to say what proportion of the costs this would represent in the event of failure, but added that it would be a "reasonable contribution". The pro forma balance sheet also indicates that costs in the event of success might be £1m. They prefer to interpret the indemnity as an indication about the scarcity of possible "white knights".

In the offer document, Blacks argues that it is expanding its own retail operations and could usefully combine with Goldberg's plans to reduce trading space; that combining buying, design and merchandising functions of the two groups could cut overheads; that the geographical coverage would dovetail neatly; and that it could add management strength.

It blames its own profits fall last year on high interest rates and the downturn in consumer spending. Blacks profits fell from £4.76m to £3.1m in the year to February 25. Goldberg saw a £2.92m loss before tax in the year to March 25.

Eagle Trust subsidiary gets administration order

By John Thornhill

AN ADMINISTRATION order has been placed on MCP Building Supplies, the loss-making subsidiary of Eagle Trust, the troubled Midlands-based mini-conglomerate, with a view to achieving an orderly realisation of its assets.

The move comes less than two weeks after Eagle Trust announced it was putting Eagle Express, its parcel delivery subsidiary, into liquidation at a loss of about £35m.

The administration order means that MCP will continue to trade – under the direction of two administrators from Cork Gully appointed by the High Court – but it will be protected from its creditors until everything possible has been done to maximise the company's value. This may mean that the administrators will try to sell the business as a going concern or sell off its individual assets, although they can only do so with the approval of shareholders and creditors.

Mr Malcolm Stockdale, who recently took over as Eagle Trust's chairman and chief executive, said he had decided to ask the High Court for the administration order because he thought it was in everybody's best interests.

"Basically the company has no working capital and I was left with the decision whether to wind it down or try to save it," he said.

MCP supplies plumbing and heating materials but traded at a loss last year. Eagle Trust's other building materials businesses, the Pavis Group and Grundy & Pilling, are not affected and are trading profitably.

LWT restructuring criticised

By John Ridding

MR CHRISTOPHER BLAND, chairman of LWT (Holdings), is holding a series of meetings with institutional investors over the next two weeks in an attempt to win support for the ITV contractor's proposed capital restructuring.

A number of institutions have expressed dissatisfaction with the scheme, although they say that any decision must wait until they have met Mr Bland and discussed details.

The proposed reconstruction, which involves a payment to existing shareholders of about 150p per share and an increase in the management's stake in the equity to about 15 per cent, is intended to improve efficiency and ensure management loyalty in the run up to the reallocation of ITV franchises in 1992.

But Mr Ernie McKnight, head of UK equities at Scottish Amicable, said that "My initial feeling is that it looks like a good deal for the executives who are putting up £3m to £4m for their stake, but not for the institutions who seem to be getting little out of it."

He said that he was concerned by the fact that the deal involved borrowings of about £100m because "we are opposed to excessive gearing in periods of high interest rates."

However, Mr McKnight said that he was "waiting to hear the other side of the story before making any decision."

Mr Don Webber, general manager of investments at Pearl Assurance, which holds 5.4 per cent of LWT's shares, said that "our first reaction is that it is not financially attractive to us as shareholders. On the face of it I can see no reason why we should vote for it."

However, an analyst said yesterday that the institutions' response partly reflected the fact that the proposal was announced quickly to prevent speculation and that they had seen no details of the scheme. He said that "there was still plenty of time to persuade them."

Mr Bland said yesterday that "We will have seen [shareholders representing] 50 per cent of our market capitalisation by the end of this week and about 80 per cent by the end of next week." He said he was confident that any "unease" would be removed once he had discussed the details.

The scheme is still at an early stage and Mr Bland said that he was convinced of the advantages of the proposal's two distinct strands. He said, however, that the "details are obviously susceptible to modification."

See Lex

Kentish aims for wind-up

By Clare Pearson

DIRECTORS OF Kentish Property Group, a victim of the slump in the market for homes in London's Docklands, have called an extraordinary general meeting of shareholders with the aim of winding up the company.

At the meeting on August 29 they are to propose that Mr Roger Powdrill and Mr Nicholas Lyle, of accountants Spicer and Oppenheim, be appointed as liquidators.

Kentish failed a week ago in a High Court bid to obtain the necessary orders required to appoint an administrator to run its affairs.

Receivers had been appointed at a number of its subsidiaries and at two of its biggest developments – Burrells Wharf, on the Isle of Dogs, and Bow Quarter, in the East End.

The shares, floated at 185p each at the height of the Docklands building boom two years ago, were suspended last month at 61p.

Clayform ahead to over £8m

By Philip Coggan

Clayform Properties yesterday announced an increase from £7.01m to £8.05m in pre-tax profits for the six months to June 30.

The company recently agreed a £120m takeover of Stead & Simpson, the footwear retailer.

Profits were boosted by a £2.96m contribution (£30,000) from associated companies.

Earnings were 16p (13.6p). The interim dividend is 3.5p (3.1p).

Plant hire strength lifts Ashtead 75% to £5.5m

By Vanessa Houlder

ASHTEAD GROUP, a USM-quoted plant hire group, yesterday announced a 75 per cent increase from £3.15m to £5.51m in pre-tax profits for the year ended April 30.

The results included the first full year contributions from the Power Business and Wimpole Hire, acquired in March and April 1988 respectively. Reliant Plant made a four month contribution of £246,000.

Mr Peter Lewis, chairman, said he believed that the non-operated plant hire market grew by 8 per cent to 10 per cent last year and was currently valued at about £650m. He estimated that Ashtead had increased its market share to almost 5 per cent.

Mr Lewis forecast that the plant hire market could grow by about 5 per cent this year. Looking further ahead, the business would benefit from the government's road improvement plans.

Capital expenditure totalled £10.6m. Gearing fell from 66 per cent to 52 per cent, while interest charges increased from £308,000 to £603,000.

Further acquisitions were envisaged, particularly in the east of the UK, he said. Ashtead has recently completed the purchase of Pannell (Plant) in Plymouth.

Turnover increased 72 per cent from £13.02m to £22.36m. Earnings per share expanded from 15.2p to 23.1p and a proposed final dividend of 1.85p makes a total of 2.5p – an increase of 25 per cent.

● COMMENT

Even though Ashtead's shares have quadrupled in value since its flotation at the end of 1986, yesterday's 8p rise to 325p suggested that the time for profit taking has not yet come. An upgrading of profit forecasts to about £7.8m has meant that Ashtead's rating of 11.5 is – by its own standards – comparatively modest. Although, on the face of it, other companies in the sector offer better value, Ashtead's strong record and imaginative management style deserves a generous premium. While the plant hire market shows no sign of slowing down, investors can continue to expect improved margins, more acquisitions and an increased market share.

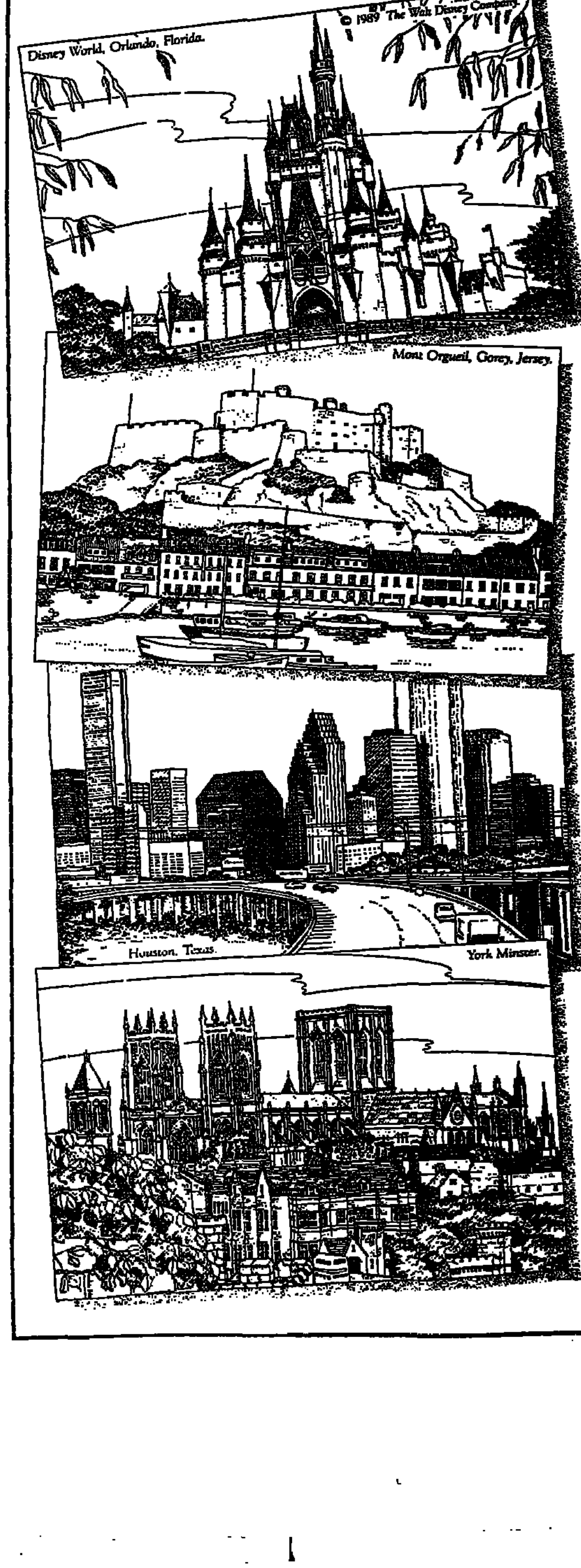
US purchases for APV

By Clare Pearson

APV, the food and drink processing equipment manufacturer, is spending about $15m (£9.3m) cash on two US acquisitions.

It is paying $10m for Lanham Machinery of Atlanta, Georgia, a maker of proof and bake systems for the baking industry. The other purchase is Texas-based Wight Engineering, which makes ice cream extrusion systems.

APV said in April it had net cash of about £30m following the disposals of parts of Baker Perkins, and a property in Crawley, Sussex.



There's a new name in some familiar places.

From Orlando to York, Jersey to Houston, there's a new name appearing on the landscape.

Buckingham International PLC (formerly Leisuretime International PLC).

The new name reflects just one of the changes taking place in realising the present management's objectives.

Objectives aimed at expansion in the United Kingdom, United States and Continental Europe – through organic growth and acquisitions.

In the six months to 30 April 1989, turnover was £7.355m; profits before tax were £1.147m and earnings per share were 1.7p.

With shareholders' funds in excess of £40m and a new name, Buckingham International PLC intends to expand its portfolio of leisure-related activities.

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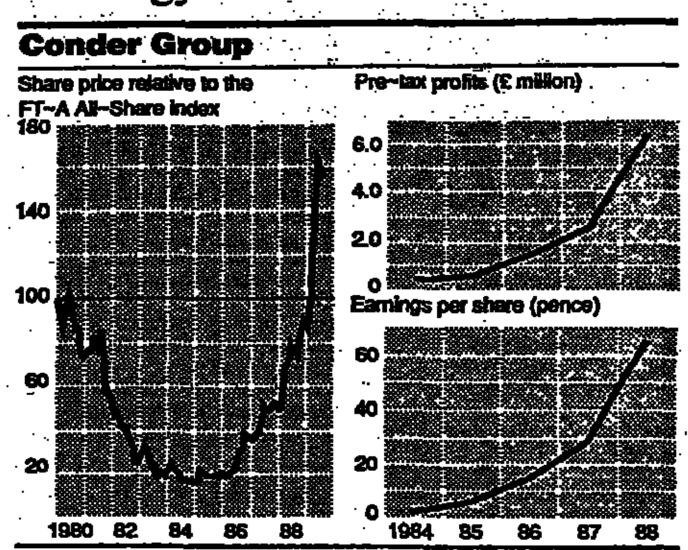
Constructing growth in all areas

Edward Sussman on the chairman's strategy for Conder's future

REFLECTING on the 1970s in an annual review distributed to prospective customers, Mr Robin Cole, co-founder and then chairman of the Conder construction group, took the opportunity to observe: "If only we had known when it was all happening how decadent and depraved we were, we might have enjoyed it more than we did."

Christopher Stewart-Smith, chairman of Conder



Such solecisms have lately disappeared from the group's annals. Mr Cole has retired as chairman, and has been replaced by the rather more sober Mr Christopher Stewart-Smith – an ambitious former deputy to Sir Jeffrey Sterling, chairman of Peninsular & Oriental Steam Navigation.

To date, the stock market has reacted exceedingly well to the change.

At yesterday's close of 895p, the shares have more than quadrupled since Mr Stewart-Smith took over two years ago, giving Conder a market value of about £78m.

Why the dramatic gains? Well, for a start, the boom in UK commercial and industrial construction in recent years has put Conder in a spirited sector of the economy.

Founded in 1947, the company made its name as a supplier of steel frames for single-storey buildings. Later, it developed the "dry envelope" method of fast-track construction for multi-storey buildings, and has also diversified into such specialised sub-contracting activities as making prefabricated modules to house bathrooms and lifts, and mapping underground mazes of pipes and wiring.

Since Conder's shares had been badly depressed in the mid-1980s (to a low of 40p in 1985) following heavy losses sustained in Iraq, progress has appeared all the more dramatic.

And with 70 per cent of its 8.3m shares closely held by various trusts and large shareholders, limited market availability has amplified price movements.

The slick image lent to the company by Mr Stewart-Smith has not hurt the share price either, even though the dramatic improvement in the results began before his arrival.

Mr Cole, the founder and former chairman, was an engineer, and an unconventional figure for the City. He set up one of the UK's first employee share trusts, which today holds more than a quarter of the Conder equity, and established the Conder Conservation Trust, an ecology-minded charity that owns another 11 per cent.

By contrast, the 48-year-old Mr Stewart-Smith is much more of a well-connected City chairman. He holds a masters degree in management from Massachusetts Institute of Technology, and before joining Conder was a main board director at P&O for two years, where he was a protégé of Sir Jeffrey Sterling, his boss since Mr Stewart-Smith joined Sterling Guarantee Trust as a director in 1971.

Despite the break with P&O, Mr Stewart-Smith remains close to the outside financial world.

Although Conder is based in Winchester, he works in London so he can be near other interests such as the chairmanship of the London Chamber of Commerce, and various other board positions.

Mr Stewart-Smith says it was not so much the construction industry (of which he had no direct experience) that attracted him to Conder as the chance to "build up" a small group.

The boardroom changes of late are typical of the new direction he has initiated. Gone from the board are Mr Dick Lowery, Mr Eric Simpson, Mr Alan Russell, Dr John Whitebread and Mr Roy Paramor, all long-time Conder employees close to basic operations.

In as non-executive directors are Sir John Stanley, an MP and former minister for housing and construction; Mr Charles Villiers, a managing director at Abbey National and the former chairman of County NatWest, and, as executive finance director, Mr Alan Lovell, formerly of Plessey.

Similar sweeping changes have been initiated in operations.

Three acquisitions in specialist contracting made within the past three months will bring an additional £60m to £70m to Conder's current £169.8m in annual sales, Mr Stewart-Smith estimates.

Turnover in the build and design divisions, which handle all aspects of construction from conception to management, will double by next year, he says. At present, these contribute roughly £45m, although the exact breakdown between divisions is a closely guarded secret.

Is the profit growth at Conder attributable to the new management style, or would the boom in the construction sector and tax advantages gained from the Iraqi losses have benefited the company in any case?

In 1988, Conder nearly tripled pre-tax profits to £6.25m, although this followed a trend starting in 1986, before Mr Stewart-Smith's arrival, when taxable profits tripled to £1.52m.

Analysts point out that Conder's traditionally low margins, although getting better, still need improvement. All of the recent acquisitions are either marginally profitable or losing money and could easily backfire without close supervision.

Conder, they note, also no longer has a significant profit centre outside the UK (although it bought a US company last month) and could be hit hard by a strong downturn in UK construction.

Mr Stewart-Smith objects to this last point. Conder is "as well placed as anyone could be against a downturn" because of its specialised niches, he says. In the City, the talk is centred more on the short-term plans of Mr Stewart-Smith than on fundamentals.

Brokers are itchy to see more of the hard-to-get Conder paper and speculate that Conder might finance a major buy-out or reverse takeover through a new share issue.

Mr Stewart-Smith hardly discourages such talk with his turnover forecasts and freely admitted appetite for acquisitions.

He points out that all of Conder's purchases have been almost entirely financed through cash and that the group, which is now in a net cash position, could potentially gear up to 100 per cent or go to the market for funds should the share price reach an "acceptable" level.

Mr Stewart-Smith will not say what that level is, but he clearly thinks the shares still have room to grow.

If he is right, he may become quite a rich man. Already he has the 111,000 shares he bought in 1987 in the 200p range, and the board granted him an option to buy another 133,000 shares at 233p. By selling out today, he would realise about £1.5m in profits on his two-year investment.

But Mr Stewart-Smith says he has no plans to cash in soon. "It's very absorbing and I'm not bored at all," he says. "It's always very interesting taking a very small group and making it grow."

UK COMPANY NEWS

Cooper identifies Tonks as its mystery suitor

By Edward Sussman

FREDERICK COOPER, the West Midlands-based industrial conglomerate, yesterday identified Newman Tonks, the Birmingham locks company, as the group which made a bid approach for it last week and said that it emphatically rejected the overture.

But despite a discussion held between the two groups on Friday and confirmation that it had quickly built a 4.9 per cent stake in Cooper, Tonks suggested that it did not consider *itself* to have made a bid approach.

No offer is expected in the short term, Tonks indicated, although it made no specific commitment.

"Whilst a very limited discussion took place with Mr Eddie Kirk, chairman of Frederick Cooper, such discussion was terminated and no resumption has occurred," Tonks said. "As a significant shareholder in Frederick Cooper, Newman Tonks remains interested in the performance of the company."

However, Mr Sandy Muirhead of Charterhouse, Cooper's merchant bank, discounted the value of the statement in assessing Tonk's intentions.

"The statement is very carefully drafted to enable them to keep their options open," he said. Some analysts suggested Tonks was trying to talk down the Cooper share price.

Shares in Cooper did retreat 19p to 167p yesterday, following a 44p surge on Friday. Tonks shares lost 4p to 186p.

Before Newman Tonks issued its statement yesterday afternoon, Cooper said the company had "failed to appreciate the quality of Frederick Cooper's business and in particular the substantial strategic value of the group's architectural hardware and security products and electrical products division."

Mr John Staite, Cooper's finance director, said Tonks' initial pricing of Cooper had been inadequate. "Their idea of valuation is not our idea of valuation," he said. Cooper's board is said to want a bid well in excess of 200p per share in order to recommend an offer.

Tonks is believed to see a good fit between Cooper and its recently acquired Laidlaw Thomson, a USM-quoted architectural ironmonger. Cooper took a 4 per cent stake on Laidlaw the same day Tonks announced it was acquiring its majority stake.

Lilley hits out at Tilbury defence

By Philip Coggan

LILLEY yesterday clashed again with Tilbury, the fellow construction company for which it last month launched a hostile £121m bid.

Tilbury issued its defence document over the weekend but Lilley said that the circular contained "nothing new, not even a forecast".

In the document, Tilbury points to its growth record – earnings per share have increased at an average 33 per cent per year since 1984, whilst dividends have risen by 37 per cent per annum over the same period. Lilley, in contrast, has experienced "major losses on overseas contracts and the suspension of dividends for two and a half years".

Tilbury also dismisses Lilley's industrial arguments for a merger. Lilley has stressed the "excellent geographical fit" between the two companies but Tilbury says that its efforts are currently "directed to areas where it perceives the prospects for profitable growth. A merger would dilute those prospects."

One of Lilley's main arguments for the merger is that the combined company will be placed to work on major infrastructure projects in the 1990s.

However, Tilbury says it is already well placed to bid for medium-sized construction projects because of its specialist technical engineering expertise.

Tilbury also says it has "excellent prospects" citing in particular the prospects for a property development at the old Peugeot Talbot factory site at Linwood, near Glasgow.

The company has recently been awarded orders worth £33m, including over £5m worth of work for water authorities.

Lilley's offer of 33 ordinary shares plus 25 convertible preference shares for every eight Tilbury shares – values each Tilbury share at 592.5p, well below last night's closing price of 661p, up 3p.

Expamet sells offshoot for £2.5m

By Andrew Hill

EXPAMET INTERNATIONAL, the security and industrial products group, is to sell its CASE Cameras division to management for £2.45m.

It is the penultimate disposal in a programme aimed at reducing gearing following the £49m purchase of Radionics, a US supplier of security components, at the beginning of the year.

CASE, bought less than two years ago, is slightly larger than the other part of Expamet's closed circuit television interests, Videoscan.

Mr Alex Orr, Expamet managing director, said yesterday the group hoped to announce the sale of Videoscan within the next month.

So far Expamet has raised £10.5m gross from disposals. Apart from CASE, the group has sold its Australian subsidiary, Expamet Pty, and Signfix, a Bristol-based manufacturer of sign systems. Sale and leaseback of property has raised a further £9.5m.

Mr Orr said the programme, which should eventually realise a total of £26m gross, was still on schedule.

CASE's management will pay an initial £2m cash for the business, and a further £450,000 on December 20. The division made £345,000 before tax in 1988 and had net assets at the end of the year of £246,000.

British Vita £7m acquisition

By John Thornhill

BRITISH VITA, the Manchester-based polymer, fibre and foam group, is expanding its interests in flooring products through the acquisition of Ball & Young Adhesives for £7m in cash and shares.

The privately-owned Ball & Young manufactures foam rubber underlay and related adhesives at Corby in Northamptonshire and sells them direct to major retail stores and through distributors.

In the year to January 31, the company made pre-tax profits of £926,000 on sales of £6.1m. At that date, net assets were £1.3m.

British Vita already has interests in the floorcovering market through its Vitafoam subsidiary, which produces Floorline carpet accessories and Vitalay foam. The addition of Ball & Young will double its turnover in the floorcovering *market, giving it an estimated* market share of over 10 per cent.

"We wanted a voice in the marketplace rather than a croak in the corner," said Mr Rod Sellers, British Vita's finance director.

The initial consideration has been met by the issue of 1.52m new 25p shares and £1.77m in cash. A further cash payment of £700,000 will become payable after six months.

Mr Laurence Butterworth, managing director of Vitafoam, is to become chairman and managing director of Ball & Young.

TR Pacific assets up

Net asset value of the TR Pacific Investment Trust stood at 82.4p per 5p share at end-June 1989 (63.9p).

Total revenue for the half year to June 30 rose from £500,000 to £805,000 and pre-tax profits were £339,000 (£242,000). Earnings per share were 0.278p (0.245p).

Making assessments on face value

Vanessa Houlder on the reasons for the meteoric rise of Hickson International shares

ON THE *face of it*, Hickson International and its largest shareholder make an incongruous pair.

On one side is Hickson, a long-established specialist chemicals business based in Yorkshire. On the other is Mr "Black Jack" Dellal, a financier and property developer, who is best known for his involvement in the ill-fated merchant bank Keyser Ullman in the early 1970s.

The questions raised by this curious match deepened last week. On Monday, when Mr Dellal's company Allied Commercial Exporters, raised its holding by 1 per cent to 13 per cent, many analysts confessed to a fair degree of confusion.

The City assumes that, after holding a major stake for over a year, he has tried – and failed – to flush out a serious bidder who would take on his stake. So why has he now invested a further £3m at a share price that has been inflated by bid speculation?

Not many people seem inclined to take at face value Mr Dellal's assurance – delivered at a meeting with Hickson seven months ago – that he is simply a long-term investor.

More common is the belief that the latest bout of stakebuilding is an attempt to raise the share price by beguiling the market into thinking that a bid is imminent. "He is rattling the cage," says Mr Charles Lambert of Smith New Court. "It is a bit of gamesmanship."

Mr Chris Marsay of Warburg Securities agrees and is unsurprised by Mr Dellal's periodic buying sprees in the market. "The higher the price has been driven, the more possible it would be to get out at a profit," he says.

He estimates that Allied Commercial Exporters has average acquisition costs of 225p per share and a notional interest cost less dividends of 15p a share. Assuming that 15 per cent of the share price is due to speculation that would vanish if Allied sold its shares in the market, it might squeeze out at a small profit, given a share price of about 285p. Another possibility is that Mr Dellal believes that the larger the stake, the more attractive to a potential bidder. After all, the Dellal stake together with a bidder's 4.9 per cent holding (the minimum undisclosable stake) would provide a sizeable platform from which to launch a bid.

The prospect of a bid, however, is weakened by the length of time that Mr Dellal has held the stake – since June 17 last year. It might also be damaged by the realisation that Hickson manufactures intermediates for most of the major chemical companies in Europe on a confidential basis. Some of these contracts could be jeopardised if Hickson was taken over by a competitor.

However, bid rumours have been enhanced by the rash of stakes that have recently emerged in second-tier chemical companies. In particular, Anglo United's successful bid for Coalite has added credibility.

Nevertheless, analysts feel that Hickson is an unlikely target. "The management does not have a bad track record," says Mr Oliver Fear of BZW. "They would have quite a lot of institutional support."

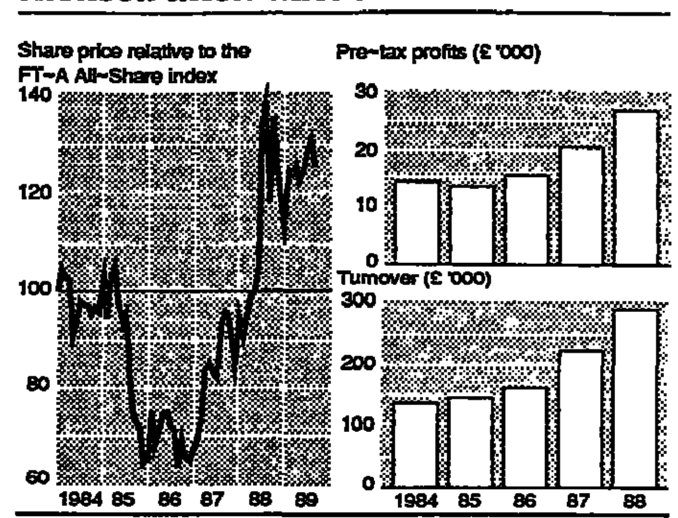
Mr Jeremy Chantry of Kleinwort Benson Securities agrees. "The timing is wrong. Hickson was much more vulnerable three or four years ago. The present management has done a superb job."

This new phase in Hickson's fortunes can be dated from 1985 when Mr John Marvin, a former divisional director of ICI, became managing director.

Hickson's problems stemmed from the maturity of its timber products business and its limited exposure to speciality chemicals. Like many companies in its sector, it was badly damaged by the downturn of the chemical cycle in the early 1980s.

"One of the reasons the board decided on an outsider was that they needed some fresh thinking," said Mr Marvin. "They had done a good job in weathering the oil price and we had some good solid businesses. But if we were going to get growth we had to add on acquisitions."

Hickson International



Mr Marvin's strategy was to broaden the product range and its geographical spread. Since 1985, Hickson has acquired 19 companies in seven countries and sold five businesses in three countries.

Expansion in the US and in continental Europe were two prominent parts of the acquisition strategy.

A milestone in its continental advance was the £16.9m acquisition of Sayerlack, an Italian supplier of wood lacquers and stains in 1987. It followed this with a £10.6m acquisition of Galstaff, which has given it nearly a quarter of the surface-coating market in Italy.

Another key acquisition took place in June 1988 when it doubled the size of its inorganic chemicals division and achieved an even split between the UK and US through the $24m acquisition of Kerley, a US agricultural chemicals company.

A similarly bold move into the US by its timber treatment division took place earlier this year when it paid $67.5m for Wolman, a US timber treatment company that Beazer inherited when it bought Koppers, the aggregates company.

At *the same time*, Hickson has built up its merchant distribution side. This was originally a timber distribution business, which has since expanded into suspended ceilings, floorcoverings, kitchen equipment and joinery products.

The logic of this move is two-fold: the distribution businesses are usefully cash-generative. They also are subject to a different cycle to the chemicals business.

This diversification has not won universal support in the City, however. Some investment managers take the view that companies should stick to their core businesses, leaving the quest for diversification to investors.

Be that as it may, merchant distribution appears the weakest part of the business at present, as the consumer expenditure squeeze takes its toll. Elsewhere, however the picture looks fairly bright, as any domestic slowdown should be offset by its high overseas exposure.

Mr Marvin is emphatic that the presence of Mr Dellal on the share register has not affected Hickson's strategy. "There is a temptation to do something just to do down Mr 10 Per Cent, but I think on balance that is foolish," he said. Accordingly, there has been no acceleration of capital spending or acquisitions.

However, the company did take a fresh look at its possible bid defences. "We could push the alert button and go to action stations," said Mr Marvin.

As part of this, UBS-Phillips & Drew, its broker, carries out regular analyses of the share register with a view to cultivating important institutions and revealing the shareholders behind nominee accounts.

Mr Marvin now spends so much time visiting institutions in London that he is handing over the chief executive slot with a view to taking on the chairmanship early next year.

All these efforts have had an impact on the share price. It has performed twice as well as the market, with a 57 per cent rise, since Mr Dellal first appeared last June. Some of this can be attributed to bid speculation but the major part of it is underpinned by a growing appreciation of Hickson's prospects.

This strong performance should be underlined on Thursday when Hickson announces its results for the first half of 1989. Analysts expect pre-tax profits of about £21m, giving earnings growth of 42 per cent.

Although that growth may slow down somewhat in the second half, Hickson should be able to make a strong case that its attractions are not solely based on Mr Dellal's attentions.

First half downturn at Relyon

Losses at associated companies, stakes in which were acquired towards the end of the previous year, hit first-half profits of Relyon Group.

On turnover little changed at £19.97m in the first half of 1989, against £19.43m, profits fell 17 per cent from £2.25m to £1.87m.

Directors of the Somerset-based maker of furniture and supplier of surveillance equipment said the £274,000 share this time of losses at the companies was expected.

However the initial costs of development and restructuring were almost complete and it was expected the associates would contribute to profits early next year.

After tax of £755,000 (£788,000) earnings per share were 7.1p (9.3p) and the interim dividend is maintained at 2.1p.

The pre-tax figure was also affected by no contribution from other operating income which was £151,000 last time. Net interest receivable was lower at £59,000 (£63,000).

Brick demand lifts Dunton to over £1m

By Edward Sussman

A SURGE in demand for bricks helped Dunton Group, the USM-quoted property developer, brick maker and civil engineering contractor, to increase pre-tax profits 44 per cent in the year to May 31, while turnover remained flat.

Taxable profits of £1.11m (£774,881) were recorded on sales of £3.94m (£3.91m).

More than doubled profits from brick manufacturing accounted for nearly two thirds of the profit. "We've been anticipating these really bullish sales would drop off, but they haven't," said Mr Alan Sore, chairman. Order books are filled for about six months, *he* said, but he believed *some downturn can* be expected before the end of 1989.

He added that brick profits provided a base to develop other activities – primarily property development. By next year, he expects property-related activities to account for 60 to 70 per cent of profits.

The group is currently geared at about 120 per cent but said its interest rate cover remained comfortable. At the year-end – with gearing at about half present levels – interest payable of £152,000 compared with retained profit of £523,290 (£395,391).

Earnings per share advanced to 3.56p (2.88p). A recommended final dividend of 0.52p makes 1p (0.76p) for the year.

Despite numerous approaches to the company about possible bids for the *group, Mr Sore, who holds* about 25 per cent of the equity, said Dunton wished to remain independent.

ML buys RTS for £0.57m

ML Holdings, the aerospace, defence and engineering group, is buying RTS International, a rolling transport system company, from Bremhill Industries. Consideration is about £567,000 cash, subject to adjustment to reflect the movement in net asset value since the last audited accounts.

Mayborn warns of interim deficit as shares drop 22p

By John Thornhill

MAYBORN Group, the USM-traded consumer products company, yesterday lost nearly a third of its stock market value when it said it was unlikely to report a pre-tax profit for the half-year to June 30.

The company said this was because substantial provisions would have to be made against stock held by Stahlwood Toy Manufacturing, its US subsidiary, following a detailed review of its trading position. Mayborn said the chief executive of Stahlwood had left the group.

Mayborn's shares closed down 22p at 50p giving the company a market value of £9.3m.

No indication of the scale of losses at Stahlwood is, as yet, available. But, in the comparable six month period in 1988, Mayborn made pre-tax profits of £1.09m.

In March this year, Mayborn reported that annual trading losses at Stahlwood during 1988 had amounted to $600,000.

UDO disposal raises £5.8m

UDO HOLDINGS is to receive £5.8m from the sale of 5.27 acres of surplus land at its headquarters at Colnbrook near Heathrow Airport.

The company acquired the site in May 1987, when it bought Aarque Systems for a total of £5m. Aarque operated from a 9.5 acre freehold site which subsequently became UDO's corporate headquarters, and which is now being split to *provide the land for the current* sale.

The site is being sold to Poyle Developments. It is currently occupied by a number of industrial buildings with ancillary offices, which the purchaser will pay to demolish.

The net inflow of funds to UDO will amount to £4.8m after paying the £1m it will cost the company to move to a smaller area on the site.

COMPANY NEWS IN BRIEF

BOUSTEAD: The company's Singapore subsidiary is acquiring *Gould Electronics* for £31,000. At the end of 1988 Gould had net tangible assets of £120,000.

CORTON BEACH has further strengthened its automotive interests via the acquisitions of Freelance Refinishers, a motor body repair company, for £345,000 in cash and shares, and also John Maciver, a Southport-based Austin Rover dealership, for a nominal £20,000.

DOWTY has bought 60 per cent of House of Spring Garden, a maker of body armour and structural materials for ballistic protection, for £900,000 cash. The remaining 40 per cent will be purchased in five years at a price related to profits. The company, to be renamed Armourshield, had turnover of £1.2m last year.

HI-TECH SPORTS has acquired Beheermaatschappij Cofex BV, a Dutch designer, marketer and distributor of leisure clothing, for an initial consideration of £643,000. For the 1988 year Cofex returned pre-tax profits of £388,000 on turnover of £5.8m. For the current year the vendors have warranted profits of not less than £714,000.

HORSON has sold the Images Club, its health and leisure club near Birmingham, for £580,000 cash. The sale also releases £200,000 of borrowings.

HOGG ROBINSON & Gardner Mountain is selling its interest in the business of C Howard and Partners, the school fees agency, for £451,000.

INVESTMENT TRUST OF GUERNSEY net asset value at June 30 was 58.5p (51.1p). Net revenue before tax for the six months was £719,000 (£617,000); tax took £161,000 (£132,000) leaving earnings of 0.78p (0.68p). Interim dividend 0.5p (0.44p).

JANTAR has acquired the business of TV-Safe from Intertrade Engineering for about £525,000. Consideration is to be satisfied by £365,000 cash, a payment to Intertrade equal to stock and work in progress and the issue of 100,000 new Jantar ordinary to Intertrade.

LAWTEX has sold the trade, fixed assets and stock of the development engineering* division, Safeguards, to Geoffrey E Macpherson (North East) for £134,000 cash.

METAL CLOSURES has acquired Heights Design Graphics from the Heights Design Partnership for £280,000 in shares and loan notes. The company has also exercised its call option to acquire Gilchrist Studios for £214,000 cash together with the £300,000 option fee.

MICROFILM REPROGRAPHICS has acquired the business assets and liabilities of Data Fiche Services for $725,000 cash (£438,000). Further payments in the region of $1.2m will be made under non-competitive and guarantee arrangements in the three years ending July 31 1992.

MID WYND International Investment Trust: Net asset value per 25p ordinary share amounted to ((262.8p (229.4p) at the June 30 year-end. Net revenue for the 12 months £253,188 (£174,054)after tax of £78,856 (£62,461). Earnings 5.04p (3.47p) and final dividend 2.65p making 4.2p (3.2p).

NORBAIN ELECTRONICS has sold the business and assets comprising its computer maintenance division to FKI Data Recording for about £1.2m cash. Proceeds will be used to reduce borrowings.

OLIVERS, the chain of branded family coffee shop restaurants and bakeries which is part of Mecca Leisure Group, is being offered for sale. Olivers operates from 24 locations throughout the UK, mainly situated in major shopping areas. Mecca said Olivers did not fit in with its identified development route of branded restaurants where it was concentrating on the expansion of Sweeney Todd's and Prima Pasta.

OSPREY COMMUNICATIONS is buying Rayner (Holdings), an advertising agency, for an initial £607,500 satisfied by the issue of 713,000 shares of which 542,000 are being conditionally placed at 84p a share. Further performance-related payments to a maximum £1.14m may be payable. For the year to end-April 1989 Rayner reported pre-tax profits of £123,000 on turnover of £1.45m. Net assets at the end of the period were £29,000. Osprey also forecast a proposed final dividend for the year to the end of May of 2.4p (2p).

PAVILION LEISURE has sold the National Bus Company garage situated at St Peter Street, St Albans, for £4.25m cash.

PREMIER CONSOLIDATED Oilfields has bought Macmillan Natural Resources,the North Sea exploration company.

PRINTECH INTERNATIONAL: With regard to the recent rights issue acceptances were received in respect of 4,821,424 shares representing 98.5 per cent of the total offered.

RENAISSANCE HOLDINGS, an investment trust, said its £5.57m rights issue was 74.29 per cent taken up. The balance was placed at 101 per cent of the par price. Olliff & Partners, the underwriters, did not retain any of the issue.

WARRINGTONS has increased its shareholding in Growth Development Corporation, a US property investment and development company (quoted on NASDAQ as GDCX), to 57.4 per cent of the existing issued share capital. The increase was effected through the acquisition of Overland Associates whose sole asset was a holding of 5.355m ordinary shares in Growth, representing 43 per cent of Growth's existing share capital. Consideration for the acquisition of Overland was £2.89m which was satisfied by the issue of 2.5m new Warrington ordinary at 115.7p each.

NAGIT offer subscribed 1.4 times

The North American Gas Investment Trust, a new trust aiming to exploit an expected rise in US gas demand, announced that its offer for subscription by Rowe & Pitman and Greig Middleton had been subscribed 1.4 times.

Shares will be allocated on the following basis; 100 per cent from up to 4,000; 80 per cent from 4,001 to 5,000; 80 per cent from 5,001 to 9,999; 70 per cent from 10,000 to 14,000; 63 per cent from 14,001 to 18,999; 58 per cent from 19,000 to 20,999, 53 per cent from 21,000 to *24,999; and 50 per cent for* 25,000 and above.

NAGIT will be capitalised at about £35m, of which between £25m and £30m will be invested in US and Canadian gas companies and the balance will go towards direct investment in direct gas exploitation.

UEI directors 'no' to Carlton board

Three directors of UEI, the digital processing and engineering company, have decided not to take up positions on the board of Carlton Communications, the television services company which bought UEI for about £490m earlier this year.

Sir Peter Michael, UEI's chairman, Mr Jeff Harrison, finance director, and Mr Jon Richards, will leave "to pursue other projects".

The merger with UEI was agreed in May, less than a year after Carlton's $780m acquisition of Technicolor.

PUBLIC WORKS LOAN BOARD RATES

Effective August 2

Years	Quota loans repaid by EIP†	Quota loans repaid Att	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid Att	Non-quota loans A* repaid at maturity§
1			11⅝			12⅜
Over 1 up to 2	11⅝	11½	11¼	12⅝	12½	12
Over 2 up to 3	11⅜	11⅜	10⅞	12⅜	12⅜	11⅝
Over 3 up to 4	11⅛	11	10⅝	12⅛	12	11⅜
Over 4 up to 5	10⅞	10⅞	10½	11⅞	11⅞	11¼
Over 5 up to 6	10¾	10¾	10½	11¼	11¼	11
Over 6 up to 7	10⅝	10⅝	10⅜	11⅛	11⅛	10⅞
Over 7 up to 8	10⅝	10½	10⅜	11⅛	11	10⅞
Over 8 up to 9	10½	10½	10¼	11	11	10¾
Over 9 up to 10	10½	10½	10⅛	11	11	10⅝
Over 10 up to 15	10⅜	10⅛	9⅝	10⅞	10⅝	10⅛
Over 15 up to 25	9⅞	9⅝	9⅜	10⅜	10⅛	9⅞
Over 25	9½	9⅜	9¼	10	9⅞	9¾

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Leveraged Capital Holdings N.V.
Curacao, Netherlands Antilles

Notice of Annual General Meeting of Shareholders

Notice is hereby given that an Annual General Meeting of Shareholders of Leveraged Capital Holdings N.V. has been called by the Manager, Intimis Management Company N.V. The Meeting will take place at the offices of the Company, John B. Gorsiraweg 6, Willemstad, Curacao, Netherlands Antilles on 24th August 1989 at 10.00 a.m.

The Agenda and the Annual Report for 1988 may be obtained from the offices of the Company or from the Paying Agent mentioned hereunder. Shareholders will be admitted to the meeting on presentation of their certificates or of vouchers, which may be obtained from the Paying Agent against delivery or certificates on or before 17th August, 1989.

Paying Agent: Pierson, Heldring & Pierson N.V., Herengracht 214, Amsterdam.

Intimis Management Company N.V.

Willemstad, 8th August, 1989

SHARE STAKES

Equity Consort: Old Court now holds 14.44 per cent.

FKB Group: CR Killingbeck, a director, has disposed of 250,000 ordinary (0.93 per cent) at 330p. Total holding now 1.48m (5.5 per cent).

Folkes Group: Capard Investments has acquired 225,000 ordinary and holds 640,000 (5.12 per cent).

Geevor: Charles Baily Gill has disposed of 40,900 ordinary (0.2 per cent). Total holding now 1.24m (6.3 per cent).

Hammerson: Australian Mutual Provident Society has bought 50,000 ordinary shares and 100,000 A ordinary shares of 25p each, making its holdings 2.58m (7.16 per cent) ordinary and 9.33m (7.2 per cent) A ordinary.

J Hewitt: AD Hewitt has disposed of 275,162 ordinary (8.15 per cent) at 110p. His holding is now 262,683 (7.7 per cent). Christopher Philip Nurse and Skyhawk acquired 476,464 ordinary; shares are registered in the names of DK Hewitt and AD Hewitt. A total of 7,000 of these are held in his wife's name. Following this purchase Mr Nurse has been appointed a director and will hold the post of chief executive of the group.

Medirace: Hergrome Investment has disposed of 350,000 shares together with 135,000 warrants. In addition it has loaned to a third party 285,000 shares which will be returned in due course.

Penny and Giles International: Mr and Mrs JA Giles have disposed of 50,000 ordinary. Their total holding is now 840,148 ordinary (9.2 per cent). Scottish Amicable Investment Managers have acquired 113,925 ordinary bringing the total holding to 556,925 ordinary (6.1 per cent).

Rechem Environmental Services: Kleinwort Benson Investment Management now has an interest in 1.35m ordinary (5 per cent).

COMMODITIES AND AGRICULTURE

Stocks fall sends LME lead to 7¾-year peak

By Kenneth Gooding, Mining Correspondent

THE PRICE of lead for delivery in three months jumped to the highest level in sterling terms for nearly eight years early yesterday after the London Metal Exchange reported an unexpectedly large drop in its stocks of the metal.

Profit-taking saw the price lose all its gains by the close of trading but some analysts believe lead will remain buoyant for some weeks, especially during the time of peak consumer demand in September and October.

Batteries now account for more than 60 per cent of lead consumption and Mr Neil Buxton, an analyst with the Shearson Lehman Hutton mining team, pointed out that, although car production in the US was now faltering, output in Japan and western Europe had remained stronger than expected and was still running ahead of the 1988 level.

"Lead prices are being underpinned by the gains in car sales and are likely to go higher because the seasonal peak is still to come – when the battery producers start buying for the winter," he added.

Mr Stephen Briggs, an analyst with Metals and Minerals Research Services, pointed out there also had been various supply problems such as the drop in Peru's output and difficulties at MIM in Australia which left that company's Britannia Refined Metals refinery in the UK short of feed.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	−4,700	to 127,025
Copper	+6,000	to 79,150
Lead	−6,900	to 25,650
Nickel	−12	to 2,472
Zinc	+575	to 28,050
Tin	+155	to 2,256

Like Mr Buxton, he forecast that there might be a slight shortfall in lead supplies compared with production in 1989 – something which was not forecast earlier this year. But supply and demand are expected to be in balance in 1990.

LME lead prices have also reflected the recent strength of the US dollar. In dollar terms the latest rally, which started on Thursday, saw lead's price advance by about 4.5 per cent while the sterling price is up by 7.5 per cent.

The LME reported yesterday that its lead stocks had fallen by 6,900 tonnes to 25,650 tonnes, the lowest level since April last year.

Following this early-morning announcement, three-month lead rose sharply to £433 a tonne, up £10.50 from Friday's close. However, by yesterday's close the price had drifted back to £422.50 a tonne.

Copper output 'to peak in 1991'

COPPER PRODUCTION at Codelco (the Copper Corporation of Chile) will peak in 1991 at 1.35m tonnes, compared with this year's 1.25m tonnes, before beginning a slow decline, according to Mr Patricio Contesse, the company president, reports Reuter from Santiago.

The state-owned company is the world's biggest producer of copper.

The fall, which would see production slipping to about 1.22m tonnes in 1994, would result from declining grade levels, said Mr Contesse.

The average grade of the company's ore, which was 1.8 per cent a decade ago, had slipped to 1.45 per cent and would fall further to about 1 per cent towards the end of the next decade, he added.

Mr Contesse said problems with the flash oven at Chuquicamata, the company's largest mine, had been resolved and the plant, which was damaged in an explosion in January, was working at full capacity (1,800 tonnes of concentrate a day).

Chuquicamata is projected to produce 660,000 tonnes of fine copper in 1989, a 140,000-tonne increase accounting for virtually all the rise in the company's production from 1.09m tonnes in 1988.

Mineral treatment at El Teniente, the company's second biggest mine, will rise from 90,000 to 110,000 tonnes a day, accounting for most of the remainder of the expected production rise over the next two years, Mr Contesse said.

After that, however, output is expected to be reduced to 80,000 tonnes in 1992, 70,000 tonnes in 1993 and 50,000 in 1994, he said.

With copper supply and demand in virtual balance, international prices should remain reasonably stable over the next 18 months, providing there was no large recession, Mr Contesse thought. "I don't see a return to the price levels of the mid-1980s," he said.

He expected world demand for copper to remain steady at around 8.3m tonnes this year and next, while supply could rise from 8.4m tonnes in 1989 to 8.5m tonnes in 1990.

But the resulting surplus, he added, had to be set against the low level of existing stocks, which are only sufficient for some five to six weeks' consumption.

Statoil reprimanded for 'serious leak'

By Karen Fossli in Oslo

STATOIL, Norway's state oil company, has been severely reprimanded by the Norwegian Petroleum Directorate for the neglect which caused a "very serious" gas leak on July 29 on the North Sea Gullfaks A platform.

Three of the 27 incidents involving gas leaks on platforms in the Norwegian North Sea are considered serious by the directorate, Norway's watchdog over oil activities. These include the lastest Gullfaks A incident, which stopped production on the platform for five days and endangered the lives of 240 personnel on the platform.

In a terse, nine-point communique issued to Statoil on Friday, the directorate demanded that a plan of action be implemented by August 11 on several items, mostly relating to procedures and safety on board the platform.

Statoil was ordered to survey its internal control routines for offshore platform operations and to implement corrective measures where weaknesses existed.

The directorate raised questions about the qualifications of Statoil's personnel on board the platform, working conditions, and control routines for the re-starting of production after shutdowns. Last month's incident happened because some valves had not been closed when production was restarted. Two lines then ruptured, one in the area of a flare where excess production is burned off.

The directorate said Statoil should examine thoroughly its recent rationalisation measures to determine if they are contributing to operational inadequacies. Modifications to the platform's emergency shutdown system, used to detect gas leaks, might be necessary.

Statoil said that it had held one meeting to address demands in the communique and that it took the matter seriously.

Sun shines on cereals planted in autumn

Those farmers who got their timing right could have some record harvests this year

FARMER'S VIEWPOINT

By David Richardson

A FEW UK farms will almost certainly have a record cereal harvest this year. A few others will have a disaster. The rest, and that includes me, will have a mixture with some fields doing well and others badly, the variability being attributable to three factors; the quality of the land, the date the crops were planted and the timing of local rainfall.

Cereal varieties can be divided into two specific types; those that are winter hardy and can be planted in the autumn giving them a longer growing season and better yield potential; and those that are suitable for spring planting, which is more traditional and still suits some farming systems. Predictably, given the usual yield advantages, autumn planting has become more common in recent years.

Last autumn was "kind", you may remember after the appalling wet summer, enabling farmers to plant an increased acreage of wheat and barley in good soil conditions. By winter those crops were well established and as the mild spell, which was also drier than usual, continued, the crops put down extensive root systems.

Only crops on very light sandy soils suffered from drought at that stage because the moisture needs of young plants are modest. Then in April of this year good rains brought most soils up to what is termed moisture capacity and some of that moisture soaked through to the subsoil.

At that point, as I reported on this page, most cereal crops across the country looked very promising but there was a niggling worry that plant diseases and aphids which had both survived the mild winter might detract from ultimate yield.

Then came the drought that, together with high temperatures, continued through May and most of June. The first crops to suffer were the spring-sown cereals, which had not had time to establish root systems sufficient to reach the subsoil moisture.

On sandy soils they almost died, in fact a few East Anglian farmers ripped up their worst fields towards the end of June and planted linseed. By so doing, they became eligible for an acreage subsidy from the European Community, in addition to whatever crops they could harvest, thereby guaranteeing at least some income from the land in question.

Many of the spring barleys that were left to harvest have been combined over the last few days and have proved at least as bad as predicted. Yields of between one and two tonnes an acre seem to be the norm, with many at the lower end of that range. Although many spring varieties are planted with malting market price premiums in mind few will qualify because of high nitrogen content in the grains – a phenomenon which is unpredictable and uncontrollable and entirely influenced by the season.

Brewers prefer to make beer from barley with no more than 1.7 per cent nitrogen, but most of this year's samples of spring barley have over 2 per cent and buyers are not interested. A good malting barley this year is worth in excess of £150 a tonne (up to £180 has been paid I am told) whereas a feed barley – the only alternative sale except for specialist seed is worth barely £100 per tonne.

This year low yield and low quality seem to have gone together so that some unfortunates will receive the double blow of having less tonnes to sell and at a lower price than those in more favoured areas.

The gloom is not universal. Heavier soils with a significant clay content retained sufficient subsoil moisture for deep rooted autumn sown crops to survive through the drought.

The rains of late June and July came soon enough in most of the main cereal growing areas to save them and the threat of yield reduction because of plant disease and aphids failed to materialise following applications of sophisticated selective chemicals, which also allowed ladybirds to survive and exercise biological control – ladybirds eat aphids.

The result is a harvest which began two to three weeks earlier than usual but which, with notable exceptions such as those light land spring crops, is turning out rather better than many farmers feared.

Virtually all autumn sown barley has already been harvested and much of it has produced higher yields than for several years. A fair proportion has also been of sufficiently high quality to earn a malting premium and comparisons of returns between a successful autumn crop and an unsuccessful spring crop are startling.

A spring barley yield of say 1.5 tonnes an acre sold at a net price after the EC co-responsibility levy of £7 a tonne is deducted will be worth no more than £140 an acre. At that price many farmers would hardly cover their variable costs of seed, fertiliser, sprays, etc. let alone their fixed costs of rent, regular labour and so on.

But a crop of autumn sown barley yielding say 2.5 tonnes an acre and sold for malting at £150 a tonne would produce a return to the farmer in excess of £350 an acre after co-responsibility levy, making it a nice little earner.

The trouble is that at the beginning of the season, when planting plans are being made, it is impossible to tell what the weather will be, whether malting samples will be achievable and therefore which crops will produce the most profit. That is what makes farming so interesting – and frustrating.

Meanwhile in the south and east of England the first fields of winter wheat have now been harvested, once again two to three weeks earlier than usual. Here too the best land, that is the heavier soils which retained moisture, are producing the biggest crops.

Reports from some areas suggest that some fields are yielding better than they did in 1984, the previous best harvest on many farms.

But a great many acres remain to be combined and it would be foolhardy to forecast the total outturn of this year's harvest until rather more of it is in the barn. It could rain for the rest of August.

Certainly the Commission is reluctant to commit itself and has delayed a final decision on the possible suspension of part of the co-responsibility levy which is scheduled to be increased if the Community crop exceeds 160m tonnes until mid-September. In the meantime merchants purchasing grain are deducting the levy in the knowledge that it may have to be refunded.

Nevertheless prospects for the 1989 UK harvest are generally brighter than for the last few years in terms of yield, quality and returns. Indeed the quality of early harvested wheat is so high that millers are already cutting bread and biscuit making premiums to a disappointing £6 to £9 a tonne above feed price.

Having urged farmers for years to grow increased quantities of the quality stuff from usually lower yielding varieties rather than go just for maximum yield, they are now quick to point out the laws of supply and demand and the fact that there may be a lot of high quality wheat around this year.

While the drought does not appear to have done serious harm to cereals lack of rain is now posing a big problem to stock farmers. The grass is not growing and flocks of sheep and herds of cattle all over the country are baaing and roaring in disgust at the short dry swards on which they graze.

Stocks of fodder conserved for the winter have already had to be started on in some areas and as dairy cows run out of good grass their yields have dropped.

Unlike cereal growers, however, dairy farmers are almost immune to the laws of supply and demand. Milk production is fixed by EC quotas and prices are fixed by the Milk Marketing Board and there is no such thing as free trade. It is a matter which is causing concern to a growing number of cow keepers as they see the prospect of a continuing shortage of milk. But that is another story.

Campaign to improve safety testing of pesticides

By John Hunt, Environment Correspondent

A POWERFUL group of organisations, including pesticide manufacturers, environmental groups and the Transport and General Workers Union, joined forces yesterday to demand more resources from the Government for the safety testing of agricultural pesticides.

Scientists carrying out the testing are working in "Victorian slum conditions" at the Rothamsted Experimental Station of the Ministry of Agriculture Pesticide Safety Division at Harpenden, Hertfordshire, said Mr John Page, director of the British Agrochemical Association (BAA) representing 48 pesticide manufacturers.

It is believed to be the first occasion that industrial companies have joined forces with environmentalists to put pressure on the Government.

The group claimed that at the present rate of progress it could take up to 20 years before some of the older pesticides come up for review under the regular testing procedure.

There are 120 products which need to be monitored, the group said. There are also 42 new products in the stream awaiting testing and approval which are being completed at the rate of two a year.

The group wrote to six Government ministers protesting about the situation and demanding more resources. The delays cost the pesticide manufacturers money because of the huge sums involved in research and marketing their new products. The delays could also put some UK manufacturers at a disadvantage with foreign competitors.

The environmentalists said they were concerned about safety and lack of public information about products.

The manufacturers pay a levy on sales to meet the cost of the testing and last year this came to over £2m. Mr Page said that they are prepared to pay a higher levy to meet the full cost of increased resources as this would be a cheaper alternative to continued delays.

There are between 40 and 50 inspectors testing older pesticides at Rothamsted and the same number working on the approval of the new compounds. The group wants at least another 100 people employed.

Mr Page said there was not enough skill to cope with the reviews and highlighted poor pay, lack of leadership and training. Proposals to move the centre to Warwickshire led to uncertainty among the staff, he added.

Some of the scientists work in temporary buildings while most of their files are kept in another office.

The letter to the Government called for the establishment of a national pesticide incident monitoring scheme to replace the present four systems and urged the publication of monitoring.

It called for increased resources to complete the monitoring of older pesticides and the new compounds by 1992. It recommended a speeding up of the scope and frequency of testing for maximum residue levels of pesticides.

The group includes the BAA and the T&GWU, Friends of the Earth, the Green Alliance, the National Federation of Womens Institutes and the Pesticides Trust.

The National Farmers Union yesterday welcomed the initiative.

The group wrote to to Mr Chris Patten, Environment Secretary, Mr John Selwyn Gummer, Minister for Agriculture, Mr Norman Fowler, Employment Secretary, Mr Kenneth Clarke, Health Secretary, Mr Malcolm Rifkind, Scottish Secretary and Mr Peter Brooke, Northern Ireland Secretary.

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA PRICES fell back again on the London Futures and Options Exchange as traders continued to digest last *Friday's confirmation of a 500,000* tonnes sale by the Ivory Coast, the world's biggest producer, to at least two trade houses. As was the case earlier, after prices had risen sharply on the rumour of the deal, the rise on the confirmation ran into nervous profit-taking as the fundamental bearishness of the world cocoa market's supply/demand balance (a fifth successive big annual production surplus this year is set to push world stocks to record levels) reimpressed itself on traders' minds. As a result the December position, which had been trimmed back from a 12-month high of £967 a tonne on Friday afternoon, fell another £15 yesterday to £932 a tonne. Coffee prices were firmer meanwhile, helped by sterling's weaker tone.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.25-4.30z	+.075
Brent Blend	$16.65-7.10	
W.T.I. (1 pm est)	$17.85-7.90z	-0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$189-191	
Gas Oil	$148-149	
Heavy Fuel Oil	$79-81.0	+0.5
Naphtha	$149-150	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$365.75	-5.25
Silver (per troy oz)♣	515c	-10
Platinum (per troy oz)	$483.65	-15.35
Palladium (per troy oz)	$134.25	-0.90
Aluminium (free market)	$1745	-20
Copper (US Producer)	118⅝-119	
Lead (US Producer)	39.5c	
Nickel (free market)	595c	
Tin (Kuala Lumpur market)	25.16r	
Tin (New York)	428.5	-10.0
Zinc (US Prime Western)	81⅝c	+1.25
Cattle (live weight)†	117.24p	+1.52*
Sheep (dead weight)†	152.98p	+3.49*
Pigs (live weight)†	88.26p	+3.39*
London daily sugar (raw)	$354.5t	-8.4
London daily sugar (white)	$500t	-8
Tate and Lyle export price	£336.5	-0.5
Barley (English feed)	£104.0	+0.5
Maize (US No. 3 yellow)	£131.0	-0.5
Wheat (US Dark Northern)	£122t	
Rubber (spot)♥	57.50p	-0.50
Rubber (Sep)♥	60.00p	-0.50
Rubber (Oct)♥	60.50p	-0.50
Rubber (KL RSS No 1 Sep)	247.5m	-3.0
Coconut oil (Philippines)§	$495t	
Palm Oil (Malaysian)§	$320.0t	+12.5
Copra (Philippines)§	$316	
Soyabeans (US)		
Cotton "A" index	83.00c	
Wooltops (64s Super)	603p	+18

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Dec. z-Sep. x-Jul/Aug. t-Aug/Sep. v-Aug/Oct. w-Sep/Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg

COCOA £/tonne

	Close	Previous	High/Low
Sep	877	891	900 870
Dec	932	947	953 925
Mar	900	907	911 889
May	908	916	921 900
Jul	920	932	924 920
Sep	935	946	955 933

Turnover: 7579 (16671) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 4 1083.40 (1077.89) :10 day average for Aug 7 1069.12 (1068.73)

COFFEE £/tonne

	Close	Previous	High/Low
Sep	775	762	776 757
Nov	782	769	783 765
Jan	797	792	801 788
Mar	816	806	818 803
May	838	828	836 830
Jul	865	855	865 855

Turnover: 2135 (3673) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 4: Comp. daily 70.49 (70.48). 15 day average 72.93 (73.72)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Oct	309.80	314.60	316.80 303.60
Dec	302.00	303.00	303.00
Mar	291.00	293.80	295.40 290.60
May	287.00	289.00	290.00
Oct	276.00	277.00	277.00
White	**Close**	**Previous**	**High/Low**
Oct	413.00	417.00	417.50 411.00
Dec	373.50	379.00	376.00 375.50
Mar	362.00	365.50	366.50 364.50
May	359.00	362.50	364.00 362.00
Aug	359.00	358.00	365.50 361.50

Turnover: Raw 3610 (3549)lots of 50 tonnes. White 658 (567).
Paris- White (FFr per tonne): Oct 2670, Dec 2400, Mar 2330, May 2325, Aug 2315, Oct 2255.

CRUDE OIL $/barrel

	Close	Previous	High/Low
Sep	16.31	16.43	16.43 16.28
Oct	16.40	16.48	16.50 16.37
IPE Index	16.45	16.60	

Turnover: 4100 (6567)

GAS OIL $/tonne

	Close	Previous	High/Low
Aug	149.00	147.00	149.75 147.25
Sep	145.25	145.00	145.75 144.75
Oct	145.25	145.75	146.50 145.00
Nov	146.25	146.75	147.75 146.00
Dec	147.50	147.75	147.50
Jan	145.50		145.50
Feb	143.00	143.50	143.00

Turnover 4157 (4383)lots of 100 tonnes

TEA

There were 12,018 packages on offer including 5,200 offshore, reports the Tea Brokers Association. East Africans remained fully firm, the better mediums proved irregular but were often 2 to 4p dearer. Plainer descriptions and mediums were steady. Ceylons met good support at firm rates with prices following quality. In *the offshore auction good medium Kenyas* and the best liquoring descriptions were fully firm. The first season's Bangladesh offerings met fair support but at levels slightly below expectations. Quotations: quality 195 (same), medium 127 (125), low medium 98 (100).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 12,925 tonne
Cash	1745-50	1760-5	1747/1740	1747-9		
3 months	1753-4	1770-1	1760/1745	1760-2	1752-4	32,052 lots
Copper, Grade A (£ per tonne)						Ring turnover 30,000 tonne
Cash	1596-7	1622-4	1609/1600	1604-5		
3 months	1591-2	1612-3	1607/1589	1598-9	1590-1	28,779 lots
Lead (£ per tonne)						Ring turnover 6,750 tonne
Cash	431-3	429-31	436/437	437-8		
3 months	422-3	422-3	433/422	427-8	422-3	9,796 lots
Nickel ($ per tonne)						Ring turnover 1,074 tonne
Cash	12750-800	12775-875	12900/12850	12900-50		
3 months	11950-75	12000-25	12000/11900	11950-2000	11950-2000	5,470 lots
Tin ($ per tonne)						Ring turnover 1,245 tonne
Cash	9230-50	9400-20	9220	9210-20		
3 months	9290-300	9440-50	9400/9270	9270-80	9295-300	4,272 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 9,775 tonne
Cash	1675-85	1705-15	1682/1679	1681-3		
3 months	1593-5	1612-5	1605/1590	1598-600	1593-5	11,072 lots
Zinc ($ per tonne)						Ring turnover 10,950 tonne
Cash	1640-60	1640-50	1630/1625	1625-30		
3 months	1550-5	1560-70	1545/1543	1543-5	1546-55	7,755 lots

LME Closing £/$ rate:
SPOT: 1.6075 | 3 months: 1.5879 | 6 months: 1.5663 | 9 months: 1.5516

POTATOES £/tonne

	Close	Previous	High/Low
Nov	132.5	137.0	133.0 131.0
Apr	195.8	208.0	202.0 196.2
May	218.0		220.0 218.0

Turnover 547 (900) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Aug	134.00		134.00
Oct	131.50	131.00	131.50
Dec	132.00	131.00	132.00 131.00

Turnover 152 (226)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Aug	1425	1436	1430 1420
Sep	1480		1480 1470
Oct	1549	1553	1556 1545
Jan	1570	1570	1570 1560
Apr	1600	1603	1600
BFI	1379	1387	

Turnover 81 (215)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Sep	106.85	106.85	107.00 106.60
Nov	110.50	110.45	110.80 110.15
Jan	113.85	113.95	114.15 113.80
Mar	117.15	117.10	117.25 117.00
May	120.20	120.25	120.35 120.10
Jun	122.05	122.10	122.25 122.10
Barley	**Close**	**Previous**	**High/Low**
Sep	102.90	102.90	102.90 102.90
Nov	105.70	106.60	106.75 106.70
Mar	112.20		112.45

Turnover: Wheat 310 (171), Barley 15 (69).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	114.0	113.6	113.0

Turnover 5 (0) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	365½-366	227¼-227¾
Opening	367½-368	229-229½
Morning fix	367.25	229.288
Afternoon fix	366.10	228.071
Day's high	367¾-368¼	
Day's low	364¾-365¼	

Coins	$ price	£ equivalent
Mapleleaf	376-381	234-237
Britannia	376-381	234-237
US Eagle	376-381	234-237
Angel	376-381	234-237
Krugerrand	364-367	226¼-228¼
New Sov.	86-87	53¼-54
Old Sov.	86-87	53¼-54
Noble Plat	489.46-497.20	305.05-309.80

Silver fix	p/fine oz	US cts equiv
Spot	321.85	516.25
3 months	332.85	527.35
6 months	343.75	538.15
12 months	365.00	560.20

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1650	117	129	8	27
1750	48	70	36	65
1850	13	33	102	126
Copper (Grade A)	**Calls**		**Puts**	
2450	145	151	30	92
2550	83	103	68	142
2650	42	68	125	204

LONDON FOX TRADED OPTIONS

Coffee	Sep	Nov	Sep	Nov
700	76	103	1	23
750	34	72	9	42
800	10	49	35	69
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
850	34		7	
900	8	72	31	21
950	1	45	74	39

US MARKETS

IN THE METALS, the precious metals came under pressure reflecting the strength of the US dollar, reports. *Drexel Burnham Lambert. Early local* buying was met by commission house and fund selling which forced the *locals to liquidate in the face of* underlying professional buying. Copper eased as LME stocks increased. The energy complex was weaker resulting from a combination of a stronger US dollar, larger-than-expected OPEC production and nearby spread selling. Coffee opened lower, as expected, then rallied as profit-taking and fund spread buying emerged. Cocoa eased in quiet conditions with local profit-taking. Underlying industry interest was noted. Sugar eased on technical selling as the market broke uptrend support. The trade was a scale-down buyer. Cotton was limit-down as rains in the Texas growing region led to long-liquidation. The grains were higher across the board in quiet trading as, despite recent rains, concern continued about dry growing conditions and as traders covered shorts to ease a technical oversold condition. Pork bellies were higher refelcting both firmer cash pork product prices and in anticipation of better demand ahead of the Labour Day holiday. Live hogs eased as cash prices weakened in the face of diminishing packer demand. Cattle futures fell in anticipation of large deliveries against the August position and as traders percieved a too-large premium of futures over cash.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	365.9	367.8	367.8	366.0
Sep	367.5	368.5	367.5	367.5
Oct	369.4	371.4	371.5	368.0
Dec	373.4	375.4	375.4	372.0
Feb	377.2	379.2	378.3	377.0
Apr	381.0	383.0	382.1	379.5
Jun	384.9	386.9	386.0	383.5
Aug	388.8	390.8	388.5	388.5
Oct	392.7	394.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Sep	481.6	486.2	0	0
Oct	484.6	489.2	491.0	480.0
Jan	487.6	492.3	491.5	484.1
Apr	490.9	495.6	491.0	490.5
Jul	494.1	498.8	498.0	492.0
Oct	497.2	501.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	512.8	516.8	517.0	514.5
Sep	516.0	520.0	522.5	516.0
Oct	519.9	523.9	0	0
Dec	528.0	532.0	534.5	527.0
Jan	531.1	535.1	0	0
Mar	539.0	543.0	545.0	538.5
May	546.6	550.5	551.0	548.0
Jul	554.5	558.3	555.0	555.0
Sep	562.4	566.1	0	0
Dec	573.7	577.4	578.4	578.4

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	110.75	113.00	111.20	111.20
Sep	110.55	112.80	111.60	110.50
Oct	109.60	111.80	0	0
Dec	107.60	109.75	108.50	107.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	17.84	18.03	18.08	17.81
Oct	17.59	17.70	17.75	17.55
Nov	17.58	17.68	17.69	17.52
Dec	17.53	17.61	17.62	17.50
Mar	17.44	17.49	17.46	17.41
Apr	17.38	17.47	17.43	17.38
May	17.42	17.46	17.40	17.40
Jun	17.40	17.43	17.40	17.40

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	4880	4918	4910	4870
Oct	4935	4971	4965	4930
Nov	5010	5035	5030	5010
Dec	5095	5100	5105	5075
Jan	5115	5120	5125	5110
Feb	5060	5045	5060	5045
Mar	4855	4855	4855	4850
Apr	4685	4685	4685	4680

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1294	1318	1303	1288
Dec	1322	1349	1333	1320
Mar	1317	1340	1325	1318
May	1320	1345	1335	1327
Sep	1353	1378	1367	1350

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	82.50	81.61	82.60	80.20
Dec	83.77	83.49	83.90	82.10
Mar	86.26	86.00	86.50	84.75
May	88.50	88.48	88.50	87.25
Jul	90.38	91.33	91.00	89.60
Sep	92.20	93.50	92.60	91.50
Dec	95.66	97.25	96.50	95.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	13.94	14.18	14.25	13.90
Jan	12.39	12.63	0	0
Mar	13.06	13.21	13.30	13.05
May	12.84	12.96	13.05	12.83
Jul	12.65	12.80	12.85	12.65
Oct	12.45	12.65	12.65	12.45

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	72.94	74.94	74.50	72.94
Dec	73.96	75.96	75.90	73.96
Mar	74.70	76.50	76.00	74.60
May	75.17	76.65	76.35	74.95
Jul	74.47	76.25	75.96	74.32
Oct	67.70	69.25	67.70	67.50
Dec	65.90	66.75	66.50	66.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	153.10	154.75	153.90	151.80
Nov	142.50	142.55	142.50	141.05
Jan	140.50	140.80	140.60	140.05
Mar	140.00	140.30	140.10	140.00
May	139.50	139.50	139.60	138.25

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug 4	Aug 3	mnth ago	yr ago
1897.8	1885.4	1930.3	1880.9

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	128.19	128.29	130.48	131.67
Futures	128.93	129.00	128.95	136.39

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	601/4	590/6	606/0	592/0
Sep	585/4	581/2	591/0	582/0
Nov	580/4	577/6	587/0	578/0
Jan	590/4	587/6	596/0	588/0
Mar	600/4	597/6	606/0	597/4
May	607/6	605/4	613/0	605/4
Jul	611/0	607/0	616/0	610/0
Aug	602/0	600/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	18.11	17.84	18.25	17.90
Sep	18.28	17.99	18.39	18.05
Oct	18.46	18.25	18.52	18.38
Dec	18.92	18.66	19.07	18.71
Jan	19.10	18.85	19.26	18.95
Mar	19.52	19.25	19.58	19.40
May	19.80	19.50	19.99	19.75
Jul	20.08	19.75	20.25	19.95

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	191.7	188.2	192.0	188.0
Sep	184.4	183.4	185.8	183.5
Oct	180.7	179.7	183.0	180.0
Dec	179.9	179.3	182.5	179.2
Jan	180.1	180.2	183.0	180.0
Mar	182.1	182.2	185.0	182.1
May	183.2	183.5	185.0	183.0
Jul	183.2	183.7	186.0	183.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	224/6	219/4	227/2	221/2
Dec	226/6	222/0	229/0	223/4
Mar	234/6	229/6	236/6	230/4
May	238/4	235/0	242/2	236/0
Jul	241/0	236/4	244/0	238/4
Sep	237/4	234/0	241/0	237/4
Dec	238/4	233/4	240/4	234/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	391/4	387/4	392/0	388/4
Dec	406/0	401/4	406/4	400/2
Mar	411/0	406/0	411/0	405/4
May	394/0	391/0	394/4	391/0
Jul	365/4	362/6	365/6	360/0
Sep	368/4	365/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	73.82	74.17	74.07	73.75
Sep	75.45	75.20	75.45	75.45
Oct	76.45	76.62	76.70	76.30
Dec	74.87	74.97	75.22	74.80
Feb	74.05	73.82	74.27	73.82
Apr	75.15	74.87	75.35	74.90
Jun	73.25	73.00	73.25	73.00
Aug	71.60	71.10	71.60	71.20

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	46.68	46.80	46.85	46.58
Oct	41.10	41.22	41.22	41.00
Dec	43.27	43.02	43.47	42.80
Feb	43.96	43.77	44.27	43.65
Apr	41.45	41.27	41.80	41.25
Jun	45.96	45.87	46.00	45.75
Jul	46.30	46.22	46.40	46.17
Aug	44.55	44.60	44.90	44.50

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	28.35	28.27	28.85	28.10
Feb	40.07	40.45	40.80	40.00
Mar	39.90	40.40	40.80	39.80
May	41.10	41.40	41.75	40.90
Aug	40.50	40.50	40.75	0

LONDON STOCK EXCHANGE

Takeover talk excites equities again

UK STOCKS turned sharply higher at the close of a thinly-traded session yesterday with international blue chips taking their cue from a firm opening on Wall Street raher than from some mixed signals on the British economy. Hints that a large corporate bid is pending in the food sector returned in strength, providing a further boost to the equity market in late dealings.

Market indices, boosted by gains in such US-influenced shares as BAT Industries and Racal Electronics, pushed ahead to new 1989 peaks. The late uptick lifted Seaq trading volume total to a barely respectable 344.7m shares,

Account Dealing Dates

*First Dealings:		
Jul 31	Aug 14	Sep 4
Option Declarations:		
Aug 10	Aug 31	Sep 14
Last Dealings:		
Aug 11	Sep 1	Sep 15
Account Day:		
Aug 21	Sep 11	Sep 25

*New time dealings may take place from 9.00 am two business days earlier

against Friday's 731.4m; but for most of the day business levels were very disappointing. The Seaq total did not reach 1m shares until mid-morning.

With the New York market looking uncertain on Friday, London was left to respond to domestic influences as it returned to business after the weekend. The opening was cautious, with warnings from Goldman Sachs, the US investment bank, on the outlook for sterling weighed against suggestions in the press that UK interest rates might be trimmed this autumn.

Despite an initial easing in the pound, the equity market edged ahead, drawing encouragement at mid-morning from the disclosure of the final readjustment of retail sales data for June to show an unexpectedly large fall of 2.3 per cent. This indication of success for the UK Government's high interest rate policies was welcomed in the stock market.

The Footsie Index put on 8 points but, lacking the investment volume to support the gain, backed off ahead of Wall Street's opening. With New York at first uncertain, London appeared set for a sluggish close to a boring session, but the Dow Average turned higher and London responded with surprising vigour.

The FT-SE Index closed 14 points up at 2,341.5, another 1989 peak, while the FT Ordinary Share Index, 16.2 up at 1957, bounced to an all-time high. But traders still sounded cautious over the latest rise in the market, pointing out that overall turnover was unimpressive yesterday and that FT-SE 2,330 – 2,350 remains a testing area.

The hints that a large corporate deal is waiting in the wings have been an important factor in the market advance over the past fortnight. Attention was focussed on the food sector yesterday, although Thorn EMI stood out strongly after press reports suggested a higher break up value than currently perceived.

Leading the market ahead in late deals was BAT Industries as US buyers sought to buy shares in London, only to find UK investors inclined to hold on to their stock until they have seen the Hoylake bid document due to be published today.

FINANCIAL TIMES STOCK INDICES

	Aug 7	Aug 4	Aug 3	Aug 2	Aug 1	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.87	86.87	86.87	87.03	87.20	88.23	89.29 (6/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.39	98.04	97.80	97.80	97.17	97.84	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1957.0	1940.8	1924.0	1923.9	1909.8	1514.7	1957.0 (7/8)	1447.8 (3/1)	1957.0 (7/8/89)	49.4 (26/6/40)
Gold Mines	202.4	202.9	199.9	193.5	192.0	196.9	206.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2341.5	2327.5	2306.3	2307.8	2292.3	1876.0	2341.5 (7/8)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)

	Aug 7	Aug 4	Aug 3	Aug 2	Aug 1	Year Ago
Ord. Div. Yield	4.17	4.21	4.25	4.24	4.28	4.48
Earning Yld %(full)	9.72	9.81	9.89	9.88	9.97	11.38
P/E Ratio(Net)(☆)	12.35	12.25	12.15	12.16	12.05	10.73
SEAQ Bargains(5pm)	27,803	29,073	26,884	25,935	26,382	26,351
Equity Turnover(£m)†	-	2271.52	985.5	984.0	849.1	854.46
Equity Bargains†	-	29,073	26,840	26,243	26,228	27,061
Shares Traded (ml)†	-	758.4	380.7	390.0	350.0	324.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 12.23

Ordinary Share Index, Hourly changes — Day's High 1957.0 — Day's Low 1943.7

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1943.8	1945.3	1948.0	1947.2	1947.4	1948.0	1950.4	1950.8

FT-SE, Hourly changes — Day's High 2341.5 — Day's Low 2328.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2328.6	2331.4	2333.0	2333.1	2333.2	2333.1	2335.3	2334.3

S.E. ACTIVITY

Indices	Aug 4	Aug 3
Gilt Edged Bargains	90.4	93.6
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5 – Day average		
Gilt Edged Bargains	93.0	92.8
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	4,800	200	+9	Cookson	723	374	+5	Legal & General	646	358		Royal Insurance	841	417	-2
Abbey National	6,200	143½	-1	Courtaulds	640	366	+1	Lloyds Bank	1,245	382	+5	STC	1,500	373	-2
Allied-Lyons	1,600	520	-2	Dalgety	491	419	+2	LASMO	543	514	+4	Saatchi & Saatchi	99	321	+5
Amstrad	619	71	+½	Dixons	865	165	-1	Lonrho	207	286	-2	Sainsbury	1,800	286	+1½
Argyll Group	1,700	241		Eng. China Clays	896	480	+5	Lucas	1,300	693	+17	Scot & Newcastle	1,300	335	+2
Ass. Brit. Foods	354	386		Enterprise Oil	220	607	+3	MB Group	2,200	211	+3	Sears	2,400	136	+1½
BAA	586	372	+2	FKI Babcock	936	178	+1	MEPC	478	583	+3	Shell Transport	1,200	435	+4
BAT Inds.	1,000	848	+22	Fisons	2,400	356½	+7½	Marks & Spencer	3,300	221	+2	Siebe	435	534	+3
BET	334	307		General Accident	341	1050	-1	Maxwell Comm.	316	198		Slough Ests.	263	356	+3
BICC	1,100	552	+14	General Elect.	3,679	277½	+3½	Midland Bank	962	342	+1	Smith & Nephew	3,000	150¼	+1
BOC	467	525	+4	Glaxo	588	1517	+7	Nat. West. Bank	1,500	528	+3	SmithKline Beecham	3,300	585	+3
BPB Inds.	469	256		Globe Inv.	215	195¼	+½	Next	604	144	-1	Smiths Industries	817	315	+1
BTR	1,800	425	+7	Glynwed Int.	366	385		Northern Foods	168	348		Standard Chartered	228	526	
Barclays	843	513	+3	Granada	201	372		Pearl	294	493	+5	Storehouse	560	148	
Bass	1,900	1089	-3	Grand Met.	1,300	618	+8	Pearson	750	770	+6	Sun Alliance	672	298	-2
Blue Circle	617	271		GUS A	126	1125	-5	P & O	174	688	+2	T & N	42	250½	-2
Boots	1,400	301		GRE	2,200	223	-2	Pilkington	1,150	237	+½	TSB	3,663	111	
Brit. & Comm.	2,000	184	+8	GKN	1,375	446	+9	Plessey	2,300	267	+1	Tarmac	355	337	-1
Brit. Aerospace	661	717	+9	Guinness	527	582	+5	Polly Peck Intl.	887	308	+3	Tate & Lyle	801	292	+2
British Airways	6,200	198	+1	Hammerson 'A'	201	796		Prudential	734	198	-1	Taylor Woodrow	105	302	-1
British Gas	3,950	208½	+1	Hanson	3,800	232½	+½	RHM	457	456	+1	Tesco	2,100	208½	+4
British Land	73	382	+2	Harrisons & Cros.	520	168½	+½	RMC	286	741		THORN EMI	1,000	853	+18
BP	6,300	301	+2	Hawker Siddeley	172	733	-6	RTZ	788	545	+6	Trafalgar House	1,800	382	+4
British Steel	5,500	75¼	-½	Hillsdown Hldgs.	3,600	293	+3	Racal	3,000	440	+16	Trusthouse Forte	566	346	-1½
British Telecom	3,300	254½	-½	IMI	588	239	+1	Rank Org	480	983	+12	Ultramar	1,300	339	+9
Burmah Oil	235	637	+7	Inch. Chem.	796	1265	+5	Reckitt & Colman	139	1193	+5	Unilever	374	647	+1
Burton	738	263	-2	Inchcape	135	293		Redland	456	583	-4	United Biscuits	2,050	404	+8
Cable & Wireless	1,300	533	+8	Jaguar	393	399		Reed International	737	445	+5	Utd. Newspapers	815	439	+14
Cadbury Schweppes	2,000	439	+6	Kingfisher	907	370	+2	Reuters	660	940	+6	Wellcome	3,400	500	-14
Carlton Comms.	313	834	+2	Ladbroke	1,300	335	-1	Rolls Royce	2,300	185¼	+1½	Whitbread 'A'	531	377	+2
Commercial Union	1,900	405	-17	Land Securities	833	600	+2	Rothmans	57	624	-1	Williams Hldgs.	765	277	+3
Cons. Gold Fields	5,300	1495	+12	Laporte	142	490	+10	Royal Bk of Scotland	21	431		Wimpey	125	276	-2

Bulls move in on Racal

The two-way pull in the Racal twins, among the market's most volatile stocks in recent months, shifted firmly in favour of the bulls yesterday. Both Racal Telecom and Racal Electronics raced up in active trading which saw 3m of the latter and almost 1m of the former change hands.

There was no shortage of reasons for the latest strength in the two stocks. Firstly, Electronics announced a £20m contract to supply voice and data communications for the Channel Tunnel. Secondly, trading in Electronics' sponsored ADRs – each ADR is equivalent to two Electronics shares – commenced at the opening of Wall Street. Traders also noted that the one-for-one share split in Electronics takes effect from Monday. The company's annual meeting is scheduled for tomorrow.

Specialists said that the flow of selling of Racal Telecom from New York after the recent presentations there, now seems to have dried up. According to one dealer, "New York came in on the buy tack." There was also a feeling among some analysts that the heavy selling of Telecom at the end of June, when the UK authorities awarded one of the new personal communication network licences to Cable & Wireless and excluded Racal and British Telecom from the new PCN's, had been overdone.

Asda bid talk

After a few months out of the limelight, Asda returned centre stage as a talk of an imminent takeover bid sent the shares 9 higher to 200p. While turnover in the underlying stock was light by Asda's own standards (4.8m), the equivalent of 2.5m shares was traded in the options market, which traders said was exceptional.

Bid talk has surrounded Asda since the Belzberg brothers, the Canadian arbitrageurs, acquired a 4.53 per cent stake earlier this year. While there was one story yesterday that the Belzbergs had sold their stake to Loblaw, a large Canadian retailing group, the talk that got the price moving was of a consortium bid, and the names mentioned were US group A&P, and Hong Kong group Dairy Farm International. A&P in particular is known to be keen to buy into the lucrative UK food retailing market.

However, Mr Bill Myers, retailing analyst at Henderson Crosthwaite, is one analyst who believes A&P will move into the UK via a different route. He suggests that A&P would be more likely to launch a bid for a smaller retailer, say Budgens (which is effectively up for sale), and do a deal with Isosceles, the new owners of Gateway. The deal would involve A&P selling its 40 per cent stake in Gateway to Isosceles in return for some of the stores (other than the 62 already pledged to Asda) that Isosceles plans to sell as part of its reshaping of Gateway.

Wellcome breather

Wellcome shares paused for breath after Friday's rise of more than 60p in the share price, falling 14 yesterday to 500p, finally a touch above the worst of the day. Turnover was a moderate 3.4m shares.

Dealers said some of the weakness arose from profit-taking, and from disappointment that US and Japanese investors had not bought heavily in the wake of the Friday's announcement of success in US trials of Wellcome's anti-Aids drug Retrovir.

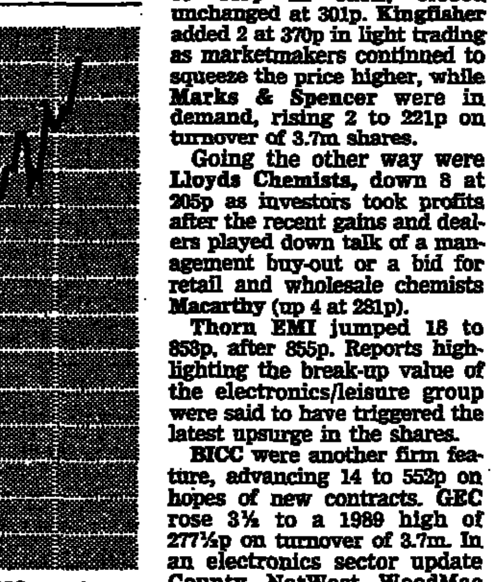
The rest of the fall was put down to a newspaper article pointing out that the US Food and Drug Administration is to meet on August 17 and may give limited approval for the use of a potential rival to Retrovir, called DDI. Analysts pointed out that this information had already moved the price last month, a fact which underlined the volatility of the stock. Moreover, official approval would require Bristol-Myers of the US, the supplier of DDI, to sell the new drug at cost and, very possibly, to Aids sufferers who had already reacted badly to Retrovir.

The banks registered widespread gains but these were generally of a minor nature – "we're looking for a period of consolidation in the big-four after the recent bout of strong support," said one specialist.

Abbey National eased a fraction to 143½p, on 8.1m, and TSB held at 111p on turnover of 4m – which included a cross of 1.4m – but turnover in most of the other big banks was much lower than usual.

British & Commonwealth (B&C) put in a strong performance, the shares racing up 7 to 183p on 1.9m with the market picking up hints that a big disposal, to reduce the company's gearing, could be imminent. Woodchester, where B&C has a 63 per cent stake, was mentioned as being up for sale. Dealers also noted unusually large turnover in B&C's options, where the equivalent of some 1.5m were traded.

FT-A All-Share Index



Insurances were much quieter as the excitement generated by last week's news that Adsteam had sold its 13 per cent stake in Commercial Union (CU) to Sun Alliance petered out. "CU is no longer in play at least for a two-year period," was the view of one analyst. The shares, being talked down to the 400p level in the short term, dropped 15 to 407p on turnover of 1.6m; CU's interim figures are expected on Wednesday. Sun Alliance, weak after the CU stake news, lost 2 to 298p.

Fisons advanced 8 on renewed speculation that a bid was in the offing. The immediate cause was an article in a US newspaper which quoted an investment manager saying that Fisons was the right size to be taken over and saying that the takeout price would be more than 450p.

Demand for the options and a story in the weekend press that it will sell its bookmaking interests pushed Grand Metropolitan 8 higher to 618p.

Among mixed stores rising hopes of a management-led offer around 470p lifted Ward White 9 to 468p on turnover of 1.9m shares. Boots, which last week raised its unwanted offer to 445p in cash, closed unchanged at 301p. Kingfisher added 2 at 370p in light trading as marketmakers continued to squeeze the price higher, while Marks & Spencer were in demand, rising 2 to 221p on turnover of 3.7m shares.

Going the other way were Lloyds Chemists, down 8 at 205p as investors took profits after the recent gains and dealers played down talk of a management buy-out or a bid for retail and wholesale chemists Macarthy (up 4 at 281p).

Thorn EMI jumped 18 to 853p, after 855p. Reports highlighting the break-up value of the electronics/leisure group were said to have triggered the latest upsurge in the shares.

BICC were another firm feature, advancing 14 to 552p on hopes of new contracts. GEC rose 3½ to a 1989 high of 277½p on turnover of 3.7m. In an electronics sector update County NatWest WoodMac says of GEC; "the prospect of success in its bid for Plessey at 270p will help sentiment," adding that success "should enhance earnings by 1990/1" and that the recently signed joint ventures "secure the long-term earnings outlook."

Foreign buyers helped Lucas climb 13 to 693p in the wake of last week's components deal with BMW and one analyst's assessment that when the price passed 670p, a chart point had been broken.

Oils attracted keen support towards the close, especially Ultramar which advanced 9 to 339p on turnover of 1.3m shares. Buying interest was said by dealers to have reflected stories of a successful North Sea well, 29/5b-6, details of which are expected on Wednesday when Ultramar unveils interim figures.

County NatWest WoodMac is forecasting interim net income of £61m, compared with last year's £40.1m, and rates the shares a buy, as does Smith New Court, which are forecasting interim net income of £68m. The Smith team expects Ultramar to raise the interim dividend from 2.5p to 3.5p. But Kleinwort Benson is cautious on Ultramar.

The market was busy winding up its involvement with Consolidated Gold Fields yesterday as Hanson declared its £3.5bn bid unconditional after achieving acceptances from holders of 57.3 per cent of the equity. Gold Fields shares moved up 12 to 1495p, with blocks of 1m shares trading at 1490p and 1495p as the big institutions threw in share stakes. Turnover of 6m shares was recorded overall. GKN's imminent re-entry into the FT-SE 100, to replace Gold Fields, added 9 at 446p on a turnover of 1.4m shares. GKN's interim figures are due out tomorrow.

Desoutter rose another 13 to 537p as the market awaited the outcome of bid talks, while last week's other bid favourite, Frederick Cooper fell back to close 19 off at 167p. Early in the day, Cooper confirmed that it had been approached by Newman Tonks but had "emphatically" rejected the move. Newman Tonks then issued a statement saying that the two companies had been in a "very limited general discussions" which had been terminated. Market observers suggested that any further takeover moves would be hostile.

Buyers moved into United Biscuits in anticipation of the soon-to-be-announced disposal of its Wimpy and Pizzaland chains of restaurants. The shares rose 8 to 404p on turnover of 2.5m against the background of heavy activity in the options. Dealers have been expecting for some time that UB will realise around £200m from the sales, and with most of the market's hopes now in the price, yesterday's rise could be put down partly to continuing bid speculation, said dealers.

Cadbury Schweppes were also boosted by bid talk, closing up 6 at 439p on turnover of 2m shares in spite of a downgrade from Robert Fleming Securities. Cadbury's interims are due at the end of this month, and Fleming has cut its profits forecast for the half-year by £5.2m to £92m because of the "incidence of high promotional spend in the UK drinks and confectionery divisions."

Retailers remain attractive to investors, with Tesco, particularly well sought after Kitcat & Aitken picked the stock out as a buy and advised investors to switch into the stock out of Sainsbury (up 1⅓ at 286p). "As our recent company visit has confirmed, the fundamental strength of the business remains outstanding," said Kitcat. Tesco closed up 4 to 208½p.

The revelation that Jefferson Smurfit planned to raise more than $1bn in cash through a reorganisation of its US activities sent the price running 133 ahead to close at 585p. Dealers reported strong two way business, much of it coming from Ireland, where Smurfit is based, in spite of a bank holiday there. One dealer estimated total turnover of this usually thinly traded stock as 500,000 shares.

Thoughts that Smurfit might use its cash to bid for a UK company sent others in the paper business moving smartly ahead. Bunzl jumped 11 at 156p. Bowater climbed 9 to 509p, UK Paper firmed 3 to 292p and long-standing takeover favourite DS Smith closed 4 better at 371p. Of these, the last two were deemed by analysts as more likely to be approached by Smurfit, provided the Irish company did not buy in the US instead.

The floor fell from beneath Leisure Investments following a profits warning after the market had closed on Friday. The shares ended 18 lower at 65p. Analysts said credibility had been seriously damaged by a series of unfortunate events of which the profits warning was only the latest. They referred to earlier missed profit forecasts, mistakes on a proposed share buyback, problems over the profitability of its restaurants, and over obtaining casino licences.

One consolation, according to Mr Nigel Reed of Kitcat & Aitken, was that "at this level it is a tempting bid target – although potential predators are likely to wait for the outcome of an important planning permission application."

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 22

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (289). BRITISH FUNDS (1) AMERICANS (17) CANADIANS (7) BANKS (3) BREWERS (8) BUILDINGS (4) CHEMICALS (3) STORES (7) ELECTRICALS (16) ENGINEERING (8) FOODS (10) HOTELS (1) INDUSTRIALS (28) ADT, Apollo Metals, Assoc. Brit. Ports, B.H. Prop., BTR, BTR Nylex, Barry Wehmiller, Brierley Inv., Brompton, CSR, Cookson, Dover Crp., Economic Forestry, Electrolux, Glaxo, Handley-Walker, Hanson, Do. 5.75pc Cv. Pf., Hornby, Huntingdon Int'l., Macarthy, Macfarlane, Metsec, Pacific Dunlop, Reliance Sec. Scapa, Schlumberger, St. Gobain, Unilever NV, INSURANCE (4) LEISURE (9) MOTORS (2) NEWSPAPERS (1) PAPERS (9) PROPERTY (3) SOUTH AFRICANS (1) TRANSPORT (3) TRUSTS (55) OILS (7) OVERSEAS TRADERS (1) MINES (21).

NEW LOWS (27). BREWERS (1) BUILDINGS (3) STORES (1) ELECTRICALS (3) ENGINEERING (1) FOODS (1) INDUSTRIALS (10) Airsprung, Copymore, Cornwell Parker "A", Delaney, Mainmet, Mayborn, Radiant Metal, Sharp & Law, Triefus, Young (H.), INSURANCE (1) LEISURE (2) PAPERS (1) TRUSTS (1) THIRD MARKET (1).

APPOINTMENTS

EMC changes direction

ELECTRONIC MACHINE COMPANY's new management hopes to acquire industrial services companies and diversify from its radar and surveillance equipment interests, following a board and shareholder reshuffle, *writes Andrew Hill.*

EMC's non-executive chairman, Mr Peter Lobbenberg, has sold a 26.3 per cent stake in the company – one of the UK's smallest quoted groups – and retired from the board.

Most of the holding has gone to Commercial & Retail Investments, which will hold 20 per cent of the group. C&R's chairman, Mr Jeffrey Gould will be the new chairman of EMC and Mr Michael Woolley, a company doctor, its chief executive.

Mr Woolley said: "First we are going to have a look at the defence side, but in the longer term we don't see that as the future of the company."

The rest of the Lobbenberg stake was sold to Mussigny Investments (3 per cent) and Gamlestaden Investments (3.3 per cent). Mr Jeremy Smilg, an accountant, will become an executive director, and Mr Stephen Alexander, of Gamlestaden, a non-executive director.

Mr Tim Palmer and Air Vice-Marshal Alan Merriman have retired as non-executive directors.

■ BANK OF IRELAND HOME MORTGAGES, UK, has appointed Mr Tom O'Neill as finance director. He was finance director of British Credit Trust, finance arm of the Bank of Ireland, where he is succeeded by Mr Robin Ford, who was credit director.

■ Mr J.C. Chance has been appointed a director of WIMPEY MINERALS. He remains managing director of Wimpey Mining.

■ CITICORP has appointed Mr Stephen Hubble as team head, UK equity structuring and specialised lending, London. He joins from Goldman Sachs International.

■ Mr Adrian Bailey-Watson has been appointed an executive director of Blackwood Financial, a subsidiary of TRANWOOD. He was with Robert Fleming & Co. Mr Thomas C. Franco, president of Broadgate Consultants Inc, New York, becomes a non-executive director of Blackwood, which has a joint venture with Broadgate. Mr Felix Calonder, a non-executive director of Tranwood, has resigned.

■ Mr Lewis McNaught has been promoted to deputy managing director of GARTMORE FUND MANAGERS. He was institutional fund management director.

■ Mr Ian MacKenzie has joined ISTEL AUTOMATION as director, manufacturing industries, and chairman of subsidiary J.B.S. Computing Services. He was Land Rover's systems director.

■ Following an increased holding in Growth Development Corporation, US, Mr Gareth Thomas and Mr Neil Ankers, directors of WARRINGTONS, have joined the Growth board, and Mr Fay Russell, president and chief executive of Growth, joins the board of Warringtons.

■ Mr Giles Pitman has been appointed chief executive of SUMMER INTERNATIONAL. He was finance director of The Really Useful Group.

■ Mr Nick Evelyn has been appointed advertisement director of the recently formed FINANCIAL TIMES TELEVISION. He was director of European advertisement sales for Fortune magazine.

■ Mr Peter Joyce has been appointed inspector general and chief executive (designate) of the INSOLVENCY SERVICE, Department of Trade and Industry. He succeeds Mr Malcolm Clark who is retiring in the autumn.

■ Mr Graham Service has been appointed a director, and Mr Arthur Manners an assistant director of LLOYDS MERCHANT BANK in the corporate finance division.

■ Mr T.A. Shacklock has been appointed a director of KLEINWORT BENSON. He is a member of the corporate finance division.

■ EUROPA MINERALS GROUP has appointed Mr Ken Acton, formerly manager of ICI's rock salt mining operation in the UK, as chief executive of the UK coal division. Mr David Spencer, who has been responsible for the UK mines, will now become whole-time main board finance director.

■ Mr R.N. Younger has been appointed to the management board of the metals division of DAVY CORPORATION as technical director.

Mr Doug Barrat (above) has been appointed group marketing director of WILTSHIER. He was with Walter Lawrence.

FT LAW REPORTS

Auditors owe no duty to banks

AL SAUDI BANQUE & OTHERS v CLARKE PIXLEY
Chancery Division: Mr Justice Millett: July 28 1989

AUDITORS of company accounts are not liable in negligence to banks for loss suffered through reliance on those accounts when deciding whether to lend or continue lending to the company, in that although it may be foreseeable that prospective lenders would take the accounts into consideration, there is no relationship between the auditors and the banks to give rise to a duty of care.

Mr Justice Millett so held when giving judgment for the defendant auditors, Clarke Pixley, on a preliminary issue in an action by 10 plaintiff banks, Al Saudi Banque and others.

HIS LORDSHIP said that the banks lent money to Gallic Credit Ltd between 1980 and 1982.

The money was lent to enable the company to finance its business operations, which consisted of providing import-export trade finance to its overseas customers.

Advances by the company were secured by bills of exchange accepted by customers, and drawn in the company's favour. They were negotiated to the banks to secure their advances to the company.

The bills of exchange were shown in the company's audited accounts and represented virtually the whole of its assets in the balance sheet.

Clarke Pixley were appointed auditors of the company in 1980, and re-appointed in 1981 and 1982.

Their reports on the 1981 and 1982 accounts included a statement that, subject to qualification, the financial statements gave a true and fair view of the company's affairs at balance sheet date.

The banks alleged that they granted new facilities to the company, or renewed, continued or increased existing facilities, in reliance on the accounts and auditors' reports.

Of the 10 plaintiff banks, seven were existing creditors of the company at the date of the report, and three were not.

The banks asserted that a large part of the company's business was fraudulent. They said the bills of exchange were not supported by underlying business transactions, but were furnished to enable existing indebtedness to be repaid out of fresh advances, and were valueless.

On January 31 1983 the company was ordered to be compulsorily wound up. The estimated deficiency with regard to unsecured creditors was £8.6m.

There were no assets available for distribution among unsecured creditors. The bills of exchange were worthless. The banks' advances to the company were unsecured and irrecoverable, and probably were so from the outset.

The banks claimed damages from the auditors for negligence in examining the company's accounts and in making their audit reports. They claimed to have relied on those accounts and reports when deciding whether or not to provide or continue finance to the company.

On the present preliminary issue, the question was whether the auditors owed a duty of care to any of the banks.

Although for the purpose of the preliminary issue the banks' allegations were assumed to be true, they had not been proved or admitted. The auditors did not admit that the banks relied on their reports, and denied negligence.

It was common ground that to establish the existence of a duty of care owed by a defendant alleged to have made a negligent misstatement (i)it must be reasonably foreseeable by the defendant that the statement would be relied on by the plaintiff;(ii) there must exist the relevant degree of proximity; and (iii)it must be just and reasonable in all the circumstances to impose a duty of care on the defendant to the plaintiff.

The banks submitted that, where the probability of reliance was sufficiently high, foreseeability of reliance by itself satisfied the proximity requirement.

In *Caparo Industries [1989] 2 WLR 316* the Court of Appeal held that auditors owed a duty of care to existing company members, but not to potential investors in the company.

They owed a duty of care to members because they were under a statutory obligation to report to them, and because the members had a corresponding statutory entitlement to receive their reports.

It was held that the auditors owed no duty of care to investors, who might be "almost literally anyone in the world," because auditors had no obligation to report to investors and the report was not sent to them, and there was no contact or relationship.

The banks submitted that *Caparo* must now be reconsidered in the light of the House of Lords decision in *Smith v Bush [1989] 2 WLR 790.*

They submitted that where the probability of reliance was sufficiently high, the need to establish proximity as a separate requirement had been relaxed and might be dispensed with altogether.

They contended that a duty of care might arise even where the statement was not made to the plaintiff or with the intention that it should be communicated to him, so long as it was or ought reasonably to have been in the maker's contemplation that it would "almost certainly" or "in commercial reality" be relied on by a person such as the plaintiff.

That was a complete misreading of *Smith v Bush.*

Far from relaxing the proximity test, the House of Lords displayed a more restrictive approach than the Court of Appeal did in *Caparo.*

Smith v Bush was concerned with a valuation report prepared by a valuer, supplied to a prospective mortgagee in connection with a proposed mortgage advance to a house purchaser, and relied on by the purchaser.

The valuer knew that the valuation, though commissioned by the mortgagee, had been paid for by the purchaser; that it was going to be shown to her; and that she would in all probability rely on it.

The House of Lords insisted on proximity as a separate requirement over and above foreseeability. The factors giving rise to the necessary proximity included the fact that the valuer's fee was paid by the plaintiff.

That showed a narrowing of the duty, and established a relationship between the parties.

There was consideration but no privity. The high probability that the purchaser would rely on the valuation was in a context in which it was known that the valuation was going to be shown to the purchaser.

That was a much more restricted context in which to found a duty of care than in *Caparo.*

In *Caparo* the statement was made to the plaintiff without any intention that he should act on it and without any particular transaction in contemplation, but it was foreseeable that he might rely on it in some unknown future transaction.

In *Smith v Bush* the statement was made to a third party with the intention that he should act on it in a known and contemplated transaction, but in the knowledge that it would be communicated to the plaintiff and would almost certainly be relied on by him.

In the present case the auditors did not make their reports to the banks, or to any other person with the intention or in the knowledge that they would be communicated to the banks. The most that could be said was that it was foreseeable that, if any of the banks wished to consider the continuance or renewal of existing facilities or the grant of additional facilities, it might well call for copies of the latest audited accounts and rely on them and the report.

The position of the three banks which were not already existing creditors of the company was directly comparable with that of the potential investors in *Caparo.* They had no close or direct relationship with the auditors and the element of proximity was lacking.

Accordingly no duty of care was owed to them.

The remaining seven banks were existing creditors, and were a limited class. Their identity and the amount of their exposure was known to the auditors when they signed their report.

But their position was not at all comparable with that of the shareholders. They played no part in appointing the auditors. The auditors were under no *statutory obligation to report* to them, and they did not do so.

To hold that a duty of care was owed to them was precluded by authority, for it would be inconsistent with the reasoning in *Caparo* and *Smith v Bush.*

There was no relationship between the banks and the auditors. The test of proximity was not satisfied.

For the banks: Richard Hacker (Taylor Joynson Garrett).

For the auditors: John Jarvis QC and Jonathan Nash (Reynolds Porter Chamberlain).

Rachel Davies
Barrister

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AUTHORISED UNIT TRUSTS

	Init Chrg	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Metropolitan Unit Trust Mngrs Ltd (1000)F						
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184						
Eurogrowth Plus	6	66.03	66.66	70.92	+0.54	0.67
Global Growth	5¼	46.83	46.83	49.82	+0.56	0.50
Global Income Acc	5¼	58.79	59.30xd	63.09	-0.14	3.17
Do Income	5¼	55.08	55.54xd	59.11	-0.13	3.38
Sunrise Accum	6	62.25	63.43	67.48	+1.42	0.00
UK Growth Acc	5¼	60.20	61.55xd	65.48	+0.19	1.53
UK Income Acc	5¼	73.32	75.39	80.20	+0.22	3.74
Do Income	5¼	69.02	70.97	75.50	+0.21	3.97
Midland Unit Trusts Ltd (1200)F						
192 Eyre Street, Sheffield, S1 3RD 0742 529888						
British Tst.	6	61.95	62.30	66.63	+0.23	2.26
(Accum Units)	6	62.96	63.31	67.71	+0.24	2.26
Capital	6	125.5	125.5xd	134.2	+0.2	2.07
(Accum Units)	6	181.6	181.6	194.2	+0.3	2.07
European Growth	6	136.0	136.0	144.9	+0.5	0.54
(Accum Units)	6	167.5	167.5	178.4	+0.6	0.54
Extra High Inc	6	72.89	73.91xd	79.05	+0.1	6.43
(Accum Units)	6	99.96	101.4	108.4	+0.1	6.43
Gilt & Fxd Int	4	51.61	51.61	53.89	-0.13	9.16
(Accum Units)	4	103.5	103.5	108.0	-0.3	9.16
High Yield	6	215.8	218.5	233.7	+0.3	4.81
(Accum Units)	6	415.8	421.1	450.4	+0.6	4.81
Income	6	256.0	258.7	276.7	+0.6	3.34
(Accum Units)	6	462.8	467.7	500.2	+1.2	3.34
Intl High St UT	6	59.55	59.55	63.69	+0.49	1.17
(Accum Units)	6	61.38	61.38	65.65	+0.43	1.17
Japan Growth	6	394.7	394.7	422.3	+2.3	0.00
(Accum Units)	6	414.8	414.8	443.9	+2.4	0.00
Mandarin Tst.	6	58.39	58.41	62.47	+0.83	0.78
(Accum Units)	6	58.87	58.89	62.98	+0.84	0.78
Mngd P'folio Acc	6	73.93	74.58	79.76	+0.47	1.75
Money Market UT	4	49.18	49.18xd	51.14	+0.02	10.10
North American	6	129.1	130.6	139.7	+3.0	0.23
(Accum Units)	6	159.4	161.3	172.5	+3.7	0.23
Smaller Cos	6	190.1	190.1xd	203.3	+0.7	1.52
(Accum Units)	6	211.5	211.5	226.2	+0.7	1.52
Meridian Income	6	112.9	114.0	121.9	+0.6	3.21
(Accum Units)	6	117.0	118.1	126.3	+0.6	3.21
Meridian Growth	6	125.3	126.1	134.9	+0.5	1.85
Midland Personal Pension Unit Trust*						
British	6	62.62	63.30	67.34	+0.25	2.28
European Growth	6	62.11	62.18	66.15	+0.22	0.54
Gilt & Fixed	6	50.98	50.98	54.21	-0.15	8.56
Income	6	58.17	59.07	62.84	+0.14	3.35
Japan Growth	6	57.82	58.17	61.88	+0.34	0.00
Managed	6	58.26	59.08	62.85	+0.37	1.76
Money Market	6	53.75	53.75	56.98	+0.03	9.87
North American	6	60.33	61.36	65.28	+1.4	0.23
Midland FSAVCS Unit Trust*						
British	6	59.09	59.73	63.54	+0.24	2.28
European Growth	6	60.58	60.65	64.52	+0.22	0.54
Gilt & Fixed Int	6	50.14	50.14	53.32	-0.15	9.18
Income	6	59.11	60.06	63.89	+0.16	3.35
Japan Growth	6	60.09	60.47	64.33	+0.57	0.00
Managed	6	57.35	58.16	61.87	+0.36	1.75
Money Market	6	51.77	51.77	54.88	+0.02	9.89
North American	6	60.72	61.76	65.70	+1.40	0.23
Perpetual Unit Tst Mngmt (1200)F						
48 Hart Street, Henley on Thames 0491 576868						
International Gwth	5¼	361.38	361.38	386.51	+3.09	1.44
Income	5	258.22	258.22	276.18	+1.47	4.03
W'wide Recovery	5¼	213.36	213.36	228.20	+2.28	1.65
American Growth	5¼	95.12	95.12	101.63	+1.94	1.35
Intl Emerging Cos.	5¼	92.65	92.65	99.10	-0.23	0.92
Far East Gwth	5¼	127.41	127.41	136.27	+1.69	2.00
European Gwth	5¼	89.14	89.52	95.75	+0.34	1.10
UK Growth	5¼	48.84	48.84	52.22	+0.13	2.66
High Income	5¼	58.92	58.92xd	63.02	+0.50	5.85
Japanese Gwth	5¼	122.35	122.35	130.59	+0.76	0.01
Phillips & Drew Unit Managers Ltd						
14 Finsbury Square, London EC2A 1PD 01-628 6070						
Charities Fxd Int		102.0	102.0	102.1	—	9.2
Charities Ind Ltd		104.84	104.64	204.85	—	2.2
UK Exempt		112.0	112.0	114.1	+0.7	4
Charities Intl		111.9	111.9	113.6	—	2.4
Prolific Unit Tst Mngrs Ltd (1200)H						
222 Bishopsgate, London EC2 01-247 7544/7						
American Income	5	65.51	66.00xd	70.29	+1.16	3.86
Conv & Gilt	5	132.8	132.8	141.7	+0.2	6.06
Euro Gwth & Inc	5	52.54	52.54xd	56.19	+0.09	2.02
Extra Income	5	146.7	147.8	158.0	+0.5	4.65
Far East	5	261.1	261.8	278.3	+2.5	0.01
High Income	5	95.09	95.84	102.4	+0.5	4.26
International	5	153.6	155.3	165.3	+3.0	0.76
Nth American	5	156.4	157.5	168.5	+2.9	0.01
Pref & Fxd Int	5	46.86	46.86xd	49.85	+0.05	8.40
Special Sits	5	118.0	119.5	127.9	+0.4	0.41
Technology	5	141.3	141.3	150.8	+3.0	0.48
Providence Capital Fd Mgrs Ltd (1000)H						
30 Uxbridge Road, London W12 8PG 01-749 9111						
Worldwide Inc	5	102.30	102.30	109.20	+1.2	0.29
Worldwide Acc	5	106.60	106.60	113.80	+1.3	0.29
UK Equity Inc	5	80.15	80.15xd	85.97	+0.32	2.89
UK Equity Acc	5	88.40	88.40xd	94.81	+0.34	2.89
European Inc	5	121.00	121.00	129.50	—	0.56
European Acc	5	125.40	125.40	134.10	-0.1	0.56
Nth American Inc	5	67.61	67.61	71.88	+1.35	1.37
Nth American Acc	5	70.38	70.38	74.82	+1.4	1.37
Japan Inc	5	122.70	122.70	131.10	+1.2	0.00
Japan Acc	5	123.00	123.00	131.40	+1.2	0.00
UK High Inc Eq Inc	5	74.75	74.73xd	80.64	+0.22	5.60
UK High Inc Eq Acc	5	85.05	85.05xd	91.78	+0.25	5.60
Hong Kong Inc	5	42.05	42.05xd	44.88	+0.79	2.99
Hong Kong Acc	5	43.96	43.96xd	46.89	+0.83	2.99
Swiss Equities Inc	5	39.23	39.23	42.05	+0.17	1.14
Swiss Equities Acc	5	39.57	39.57	42.41	+0.17	1.14
W'wide Bond Inc	5	53.36	53.36	56.36	+0.36	5.73
W'wide Bond Acc	5	55.09	55.09	58.19	+0.37	5.73
Emerging Asia Inc	5	84.32	84.32	90.40	+1.65	0.00
Emerging Asia Acc	5	84.32	84.32	90.40	+1.65	0.00
Provident Mutual Unit Tst Mgrs Ltd (0905)H						
25-31 Moorgate, London, EC2R 6BA. 01-588 3963						
PM Equity Gth	5	124.0	126.1	134.1	+0.2	2.57
PM Income & Gth	5	206.4	108.3	115.2	—	4.56
PM Nth Amer Gth	5	59.25	59.25	63.03	+0.81	1.20
PM European Gth	5	59.80	59.99	63.81	+0.53	0.64
PM Japan Gth	5	83.17	83.25	88.56	+0.31	0.28
PM Overseas Gth	5	56.43	56.43	60.03	+0.31	0.44

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	64.21	67.25	71.53	+0.07	6.65
European	5	72.46	72.82	77.46	+0.36	0.09
Far Eastern	5	65.43	65.57	69.75	+0.57	0.63
Growth Inc	5	90.76	94.35	100.36	+0.15	1.39
Growth Acc	5	90.76	94.35	100.36	+0.15	1.39
Income Inc	5	84.73	87.05xd	92.60	+0.21	4.60
Income Acc	5	84.84	87.15xd	92.71	+0.21	4.60
Property Share	5	56.30	56.30	60.01	+0.14	0.99
Smaller Co's	5	60.30	60.83	64.88	-0.25	1.47
Nth American	5	64.40	64.40	68.87	+1.14	1.57
International	5	49.82	49.82	53.28	+0.55	1.39
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	111.60	111.60	116.60	—	4.02
Weekly dealing day Tuesday.						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	65.87	68.37	72.73	+0.94	2.49
YUTM UK Eqty Inc Tst	5¼	63.34	65.45	69.63	+0.44	4.29
YUTM Intl Gwth Tst	5¼	53.21	53.21	56.79	+0.73	0.74

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd					
Int'l Expt June 7	485.3	503.8	—	—	
Cent. Bd. of Fin. of Church of England					
2 Fore Street, London EC2Y 5AQ 01-588 1815					
Inv Fund July 31		538.95		—	4.55
Fxd Int Sec July 31		142.05		—	10.07
Deposit July 31		100.00		—	13.25
Charinco/Charishare (1000)F					
33 King William Street, EC4R 9AS 01-280 2800					
C'inco Inc Aug 2	167.8	172.1		+1.40	10.19
C'inco Acc Aug 2	688.5	706.3		+5.80	10.19
C'share Inc Aug 2	159.4	165.3		+2.40	3.90
C'share Acc Aug 2	175.1	181.6		+2.40	3.90
Charities Official Invest. Fund					
2 Fore Street, London EC2Y 5AQ 01-588 1815					
Income July 31		516.04			[illegible]

[illegible]

INSURANCES

[illegible]

Continued on next page

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Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Prudential Holborn Life Ltd—Contd.

Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323

Skandia Life Assurance Co Ltd—Contd.

Target Life Assurance Co Ltd
Target House, Gatehouse Road, Aylesbury, Bucks

Marsh Financial Management Ltd

Rothschild Asset Management—Contd.

Touche Remnant (Guernsey) Limited

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (SIB RECOGNISED)

IOM (SIB RECOGNISED)

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	98	B'wide Anglia 11pc 29.8.89	99	.....	11 58	13 81
99	99	Do. 12pc 18.9 89	99	.....	12.41	43 75
99	99	Do. 12pc 2.10.89	99	.....	12 34	13 86
99	98	Do. 11pc 6.11.89	99	.....	11.99	13.89
100	98	Do. 12pc 4.12 89	99	.....	12.39	13 87
100	99	Do. 12pc 2.1 90	99	.....	12.65	13 66
100	98	Do. 12pc 29 1 90	99	.....	12.64	13.76
100	98	Do. 12pc 26.2.90	99	.....	12.76	13 75
100	98	Do. 12pc 19.3.90	99	.....	12 95	13 75
100	99	Do. 13pc 23 4 90	99	.....	13 42	13 72
100	99	Do. 13pc 14 5.90	99	.....	13.08	13.71
100	98	Do. 13pc 4/6/90	99	.....	13 70	13 67
100	100	Do. 14pc 2.7.90	100	.....	14.24	13.59
104	98	Do. 3pc IL Ln 2021	103xd	.....	4.29	4.40

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
47	45	Met. Wtr. 3pc 'B'	46xd	.....	6 53	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	..	3.50	18 75
45	40	Do. 6pc 28 Stb. Ass.	40c	.....	3	17.50
45	40	Do 4pc Mixed Ass	40xd	.....	2	15 00
80	65	Hung. '24 Ass.	80	....	2 75	13.57
139	128	Hydro Quebec 15pc 2011.	134	[illegible]	15 00	10 91
128	118	Iceland 14pc Ln 2016..	125	[illegible]	14.50	11 45
97	91	Ireland 9pc '91–96	92xd	.....	9.75	11 30

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

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AMERICANS—Contd

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	96	.....
Craig & Rose £1.. γ	830	....
Finlay Pkg. 5p.... γ	86	......
Holt (Jos) 25p..... γ	1325	−18

IRISH

Cap. 8½% Ln 1991 γ	£98⅝	......
9pc Cap Ln 1996. γ	£101⅝	......
Fin. 13% 97/02.. γ	£122¼	......
Arnotts.............. γ	415	......
Carrol (P.J.)....... γ	160	......
Hall (R & H.)..... γ	168	...
Heiton Hldgs.... γ	85	....
Irish Ropes......... γ	215	....
United Drug........ γ	147	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons........... γ	38
Amstrad........ γ	11
BAT.............. γ	80
BOC Grp........... γ	42
BSR................... γ	6½
BTR.................. γ	32
Barclays................. γ	42
Blue Circle........ γ	24
Boots................ γ	25
Bowaters.............. γ	44
Brit Aerospace.......... γ	52
British Steel .... γ	7½
Brit. Telecom.......... γ	21
Burton Ord .... γ	18
Cadburys.............. γ	46
Charter Cons.......... γ	48
Comm Union .... γ	32
Courtaulds .... γ	30
FKI Babcock........... γ	14
FNFC.................. γ	22
Gen Accident........ γ	85
GEC..................... γ	20
Glaxo .... γ	110
Grand Met .... γ	48
GUS 'A'.............. γ	90
Guardian .... γ	18
GKN.................... γ	34
Hanson................ γ	16
Hawker Sidd.......... γ	60
ICI...................... γ	100
Jaguar.................. γ	28
Ladbroke.............. γ	28
Legal & Gen .... γ	26
Lex Service............ γ	33
Lloyds Bank............ γ	29
Lucas Inds. .... γ	58
Marks & Spencer..... γ	15
Midland Bk .... γ	30
Morgan Grenfell ...... γ	24
Nat West Bk .... γ	25
P & O Dfd .... γ	55
Plessey .... γ	22
Polly Peck........... γ	26
Racal Elect .... γ	40
RHM .... γ	42
Rank Org Ord. .... γ	60
Reed Intnl........... γ	34
STC .... γ	32
Sears.................... γ	18
Smithkline Bchm. A... γ	50
TI...................... γ	38
TSB................ γ	10
Tesco .... γ	14
Thorn EMI............ γ	58
Trust Houses.......... γ	24
T&N................ γ	18
Unilever .... γ	46
Vickers.................. γ	18
Wellcome............ γ	42

Property

Brit Land............... γ	32
Land Securities ...... γ	52
MEPC.............. γ	50
Rosehaugh .... γ	28

Oils

Brit Petroleum .... γ	21
Burmah Oil .... γ	50
Calor..................... γ	35
Charterhall............ γ	2½
Premier................... γ	9
Shell..................... γ	32
Ultramar............... γ	26

Mines

Cons Gold .... γ	150
Lonrho.............. γ	30
RTZ................... γ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar closes below its peak

THE DOLLAR failed to hold on to all its early gains, in modest turnover on the foreign exchanges, but finished firmer on the day.

In early European trading the US currency was pushed through resistance against the D-Mark at DM1.9100, but it failed to consolidate at this level, after touching a peak of around DM1.9150.

This week's auction of $29.5bn in Government paper by the US Treasury is regarded as a supportive factor for the dollar, adding to the firm tone created by the US employment figures last Friday.

In Tokyo there was little sign of heavy dollar buying by institutional investors yesterday. On balance Japanese institutions were probably selling dollars, in response to the fall in US bond prices. Some investor buying did develop late in the day, but it seems unlikely that the buying of dollars, to invest at the Treasury auctions, is complete.

Further dollar buying by Japanese institutions should provide short term support, but this factor is unlikely to take the dollar very much higher. There is no important economic news until Friday's publication of US producer prices and retail sales figures. In the absence of fresh incentives dealers do not expect the dollar to move out of a range of DM1.90 to DM1.92, but if it can hold above DM1.90 a move up towards DM1.9350 is regarded as the next target.

At the close in London the dollar exchange rate index, on Bank of England figures, had climbed to 70.1 from 69.8. The currency advanced to DM1.9055 from DM1.8970; to SFr1.6380 from SFr1.6355; and to FFr6.4450 from FFr6.4250. It was only slightly firmer against the yen at Y139.50, compared with Y139.40, after failing to hold above Y140.00.

Today's election of a new leader for the ruling Japanese Liberal Democratic Party is not expected to have any strong impact on the foreign exchanges.

The New Zealand dollar reacted calmly to news that Mr David Lange, New Zealand's Prime Minister, has resigned. Mr David Caygill, the Finance Minister, said that Mr Lange's decision did not herald a change in economic policy.

The New Zealand dollar finished at 59.75 US cents in London compared with 59.60 cents on Friday.

Sterling fell below $1.60 at one time yesterday. This led to nervousness in London, but it was mainly because of the early strength of the dollar. The pound was generally on the sidelines and showed a partial recovery, closing ¼ cent lower on the day at $1.6075.

Sterling also declined to DM3.0625 from DM3.0650; to Y224.25 from Y225.25; to SFr2.6325 from SFr2.6425; and to FFr10.3600 from FFr10.3775. The pound's index touched a low of 91.4 in the morning, and closed 0.3 lower on the day at 91.6.

Averages against the dollar for the main trading currencies in July were: sterling 1.6250; D-Mark 1.8915; Yen 140.49; Swiss franc 1.6287; and French franc 6.9473.

£ IN NEW YORK

Aug.7	Latest	Previous Close
£ Spot	1.6030-1.6040	1.6055-1.6065
1 month	0.66-0.65pm	0.69-0.66pm
3 months	1.95-1.92pm	2.00-1.95pm
12 months	7.40-7.30pm	7.00-6.90pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug.7	Previous
8.30 am	91.5	92.1
9.00 am	91.5	92.1
10.00 am	91.4	92.1
11.00 am	91.6	92.1
Noon	91.6	92.1
1.00 pm	91.7	92.1
2.00 pm	91.6	92.1
3.00 pm	91.6	91.9
4.00 pm	91.6	91.9

CURRENCY RATES

Aug.7	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling ‡	-	1.27555	1.48024
U.S Dollar	7	1.28180	1.08442
Canadian $	12.36	1.50868	1.27473
Austrian Sch.	5	16.9351	14.5973
Belgian Franc	7.75	50.3619	43.4282
Danish Krone	9½	9.35073	8.05939
Deutsche Mark	5.00	2.40427	2.07395
Neth.Guilder	6.00	2.71165	2.33898
French Franc	9½	8.14520	7.02052
Italian Lira	13½	1731.07	1491.72
Japanese Yen	3¼	176.119	151.764
Norway Krone	8	8.83673	7.58821
Spanish Peseta	-	2.06947	130.076
Swedish Krona	9½	8.22275	7.06173
Swiss Franc	5.5	2.06947	1.78766
Greek Drach.	20½	208.054	179.167
Irish Punt	-	0.90090	0.776803

‡ Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Aug.4

CURRENCY MOVEMENTS

Aug.7	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.6	-19.4
U.S Dollar	70.1	-8.3
Canadian Dollar	105.0	+1.2
Austrian Schilling	106.6	+9.7
Belgian Franc	106.0	-5.9
Danish Krone	103.5	-1.2
Deutsche Mark	112.8	+20.6
Swiss Franc	107.6	+16.6
Guilder	110.4	+13.4
French Franc	99.5	-15.3
Lira	99.7	-18.5
Yen	140.8	+71.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Aug 4.

OTHER CURRENCIES

Aug.7	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	3.1330-3.1385	1.9525-1.9545
S. Af (Cm)	4.3215-4.3320	2.6940-2.6970
S. Af (Fn)	6.6065-6.7175	4.1150-4.1840
Taiwan	41.20-41.30	25.65-25.70
U.A.E.	5.8775-5.8835	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug.7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4282	+2.28	+1.08	±1.5424
Danish Krone	7.85212	8.05939	+2.64	+1.44	±1.6419
German D-Mark	2.05853	2.07395	+0.75	-0.45	±1.1019
French Franc	6.90403	7.02052	+1.69	+0.49	±1.3719
Dutch Guilder	2.31943	2.33898	+0.84	-0.36	±1.5019
Irish Punt	0.768411	0.776803	+1.09	-0.11	±1.6689
Italian Lira	1483.58	1491.72	+0.55	-0.05	±4.0815
Spanish Peseta	130.000	130.076	+0.06	-	-

Changes are for Ecu, therefore positive change denotes a weak currency
Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Aug.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5965-1.6100	1.6070-1.6080	0.73-0.70cpm	5.34	1.98-1.94pm	4.88
Canada	1.8830-1.8910	1.8855-1.8865	0.25-0.17cpm	1.34	0.73-0.59pm	1.40
Netherlands	3.44¾-3.46¼	3.45-3.46	2¼-1⅞cpm	6.95	5¾-5½pm	6.51
Belgium	64.05-64.40	64.10-64.20	33-30cpm	5.89	88-84pm	5.36
Denmark	11.89-11.92¼	11.89½-11.90½	5¼-4¼orepm	5.04	14-13¼pm	4.58
Ireland	1.1455-1.1505	1.1455-1.1465	0.45-0.40ppm	4.45	1.20-1.10pm	4.01
W. Germany	3.06-3.07	3.06-3.06½	2-1¾pfpm	7.35	5¼-5pm	6.69
Portugal	256.15-257.40	255.40-256.40	14-20cdis	-0.80	56-107dis	-1.27
Spain	191.85-192.90	191.85-192.15	16-4cpm	0.63	15-6pm	0.22
Italy	2202-2208	2203-2204	5-3lirepm	2.18	9-8pm	1.54
Norway	11.19¾-11.23¾	11.22¾-11.23¾	3½-3orepm	3.47	8¼-7½pm	2.78
France	10.35½-10.38¾	10.35½-10.36½	4½-4¼cpm	5.07	12¼-11¾pm	4.66
Sweden	10.41¾-10.44½	10.43¾-10.44¾	2¼-2orepm	2.44	5¾-5¼pm	2.16
Japan	223¾-224¾	223¾-224¾	1¾-1⅝ypm	9.41	4¾-4⅝pm	8.40
Austria	21.52-21.58	21.52-21.55	13-12gropm	6.97	35-32pm	6.22
Switzerland	2.62¾-2.64¾	2.62¾-2.63¾	1⅝-1½cpm	7.12	4½-4¼pm	6.65
ECU	1.4770-1.4805	1.4770-1.4780	0.60-0.57ppm	4.75	1.62-1.57pm	4.32

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.25-64.35 Six-month forward dollar 3.85-3.80cpm 12 months 6.93-6.83pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Aug.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5965-1.6100	1.6070-1.6080	0.73-0.70cpm	5.34	1.98-1.94pm	4.88
Ireland†	1.3940-1.3990	1.3980-1.3990	0.14-0.09cpm	0.99	0.55-0.45pm	1.43
Canada	1.1725-1.1785	1.1730-1.1740	0.38-0.41cdis	-4.03	1.01-1.06dis	-3.52
Netherlands	2.1450-2.1610	2.1495-2.1505	0.31-0.29cpm	1.67	0.81-0.77pm	1.47
Belgium	39.85-40.20	39.85-39.95	2.70-1.20cpm	0.59	4.50-2.00pm	0.33
Denmark	7.40-7.44½	7.40-7.40½	0.05-0.30oredis	-0.28	0.70-1.10dis	-0.49
W. Germany	1.9030-1.9155	1.9050-1.9060	0.33-0.30pfpm	1.98	0.84-0.81pm	1.73
Portugal	159.80-160.15	159.80-159.90	60-80cdis	-5.27	240-270dis	-6.39
Spain	119.45-120.20	119.55-119.65	42-52cdis	-4.71	145-155dis	-5.01
Italy	1369-1378	1370½-1371	3.50-4.00liredis	-3.28	11.70-12.40dis	-3.51
Norway	6.97¼-7.01	6.98½-6.99	1.00-1.25oredis	-1.93	3.80-4.10dis	-2.26
France	6.44¼-6.48¼	6.44¼-6.44¾	0.10-0.15cdis	0.23	0.50-0.65dis	-0.91
Sweden	6.47¼-6.52	6.49-6.49½	1.50-1.65oredis	-2.91	4.55-4.80dis	-2.88
Japan	139.30-140.25	139.45-139.55	0.47-0.45ypm	3.95	1.20-1.18pm	3.41
Austria	13.43¾-13.48	13.43¼-13.43¾	2.30-1.50gropm	1.70	5.00-2.90pm	1.18
Switzerland	1.6350-1.6535	1.6375-1.6385	0.25-0.22cpm	1.71	0.67-0.63pm	1.58
ECU	1.0840-1.0895	1.0885-1.0895	0.04-0.03cpm	0.39	0.17-0.14pm	0.57

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.95-40.05.

EURO-CURRENCY INTEREST RATES

Aug.7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13¾-13⅝	13 13/16-13 11/16	13⅞-13 13/16	13⅞-13 13/16	13 13/16-13¾	13½-13⅜
US Dollar	9-8¾	8 15/16-8 13/16	8⅞-8¾	8¾-8⅝	8⅝-8½	8⅝-8½
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian S Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Aug.7	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	216.5	10.	2.542	3.335	2127	1.820	61.92
S Fr. (second line)	[illegible]	[illegible]	[illegible]	85.19	3.935	1	1.312	837.1	0.716	24.36
H Fl.	[illegible]	[illegible]	[illegible]	64.92	2.999	0.762	1	637.9	0.546	18.57
Lira	[illegible]	[illegible]	[illegible]	101.8	4.701	1.195	1.568	1000.	0.856	29.11
C $	0.530	0.853	1.624	118.9	5.493	1.396	1.832	1169	1	34.01
B Fr.	1.559	2.507	4.775	349.6	16.15	4.104	5.386	3436	2.940	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling rallies

SHORT STERLING futures closed near the day's high on Liffe, with sentiment underpinned by the pound's recovery from a weak start on the foreign exchanges and by news that June UK retail sales fell 2.3 per cent, according to the final figures, compared with a provisional drop of 1.8 per cent.

The sales news was taken as confirmation that the economy is slowing and not as an indication that bank base rates will be cut before delivery of the nearest dated short sterling contract in mid-September.

September short sterling opened at 86.21 and touched a high of 86.31, before closing at 86.30, compared with 86.26 on Friday. Volume in the September contract was modest at, 16,405 lots, with December becoming more active and trading 11,914 contracts. Growing volume in December reflects the view that a cut in base rates is much more likely by the end of the year.

US Treasury bonds weakened, with September delivery falling to 97-15 from 98-18. Last Friday's US employment data has dashed hopes of an early reduction in US interest rates, while the supply of bonds is set to increase with this week's US Treasury auction.

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
93	3-35	3-54	0-01	0-18
94	2-37	3-02	0-03	0-30
95	1-43	2-21	0-09	0-49
96	0-57	1-45	0-23	1-09
97	0-22	1-13	0-52	1-41
98	0-07	0-52	1-37	2-16
99	0-02	0-34	2-32	2-62

Estimated volume total, Calls 462 Puts 1039
Previous day's open int. Calls 19453 Puts 27323

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
92	5-31	5-51	0-01	0-31
94	3-33	4-11	0-03	0-55
96	1-44	2-50	0-14	1-30
98	0-27	1-47	0-61	2-27
100	0-07	1-02	2-41	3-46
102	0-02	0-37	4-36	5-17
104	0-01	0-21	6-35	7-01

Estimated volume total, Calls 55 Puts 65
Previous day's open int. Calls 3265 Puts 4090

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9350	1.73	1.95	0.00	0.23
9400	1.25	1.57	0.02	0.35
9450	0.79	1.23	0.06	0.51
9500	0.39	0.93	0.16	0.71
9550	0.13	0.71	0.40	0.99
9600	0.04	0.49	0.81	1.27
9650	0.02	0.34	1.29	1.62

Estimated volume total, Calls 2281 Puts 776
Previous day's open int. Calls 14469 Puts 15968

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING OPTIONS

Strike Price	Calls-settlements		Puts-settlements Sep	Puts-settlements Dec
[illegible]	[illegible]	[illegible]	[illegible]	0.16
[illegible]	[illegible]	[illegible]	[illegible]	0.20
[illegible]	[illegible]	[illegible]	[illegible]	0.26
[illegible]	[illegible]	[illegible]	[illegible]	0.35
[illegible]	[illegible]	[illegible]	[illegible]	0.46
[illegible]	[illegible]	[illegible]	[illegible]	0.59
[illegible]	[illegible]	[illegible]	[illegible]	0.75

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls				Puts			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6075	1.6004	1.5879	1.5693	1.5387

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.5958	1.6006	1.5914	1.5960
Dec	1.5766	1.5800	1.5710	1.5762
Mar	1.5580	1.5590	1.5500	1.5570
Jun	-	-	-	1.5410

EUROPEAN OPTIONS EXCHANGE

[illegible]

Unilever P	Fl. 140	106	0.90	83	2.20	-	-	Fl. 152.30
Van Ommeren C	Fl. 45	731	4.10	19	5.80	7	7.30	Fl. 46.10
Van Ommeren P	Fl. 45	632	2.20	47	3	-	-	Fl. 46.10
Wessanen C	Fl. 95	64	3.80	13	6.50	4	8.70	Fl. 96

TOTAL VOLUME IN CONTRACTS : 52,784
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

London rates steady

THERE WAS little change in interest rates on the London money market yesterday. Three-month sterling interbank rose to 13 15/16-13⅞ per cent in early trading as the pound weakened against a strong dollar, but it closed unchanged at 13⅞-13 13/16 per cent, as sterling stabilised and finished well above the day's low. Other fixed period rates showed very little change.

The Bank of England initially forecast a market credit shortage of £1,150m, but revised this to £1,200m in the afternoon. Total help of £1,206m was provided.

UK clearing bank base lending rate 14 per cent from May 24

An early round of help was offered and the Bank of England found the market keen to sell short dated paper. Most of the day's assistance was provided at that time, as the authorities bought £1,131m bills outright, by way of £706m bank bills in band 1 at 13¾ per cent and £425m bank bills in band 2 at 13¾ per cent.

There was no further action by the Bank of England during the morning, but in the afternoon another £75m bank bills were purchased, in band 2 at 13¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,173m, with Exchequer transactions absorbing £310m and bank balances below target £95m. These factors outweighed the regular post-weekend fall in the note circulation, adding £435m to liquidity.

In New York the Federal Reserve drained money from the banking system, via overnight matched sale and repurchase agreements, when Federal funds were trading at 8 13/16 per cent. The move was technical and widely expected. It was not regarded as a signal on monetary policy.

In Frankfurt call money was steady at 6.90 per cent, slightly below the Lombard emergency funding rate. Dealers believe the West German Bundesbank is happy with the present situation in the market will endeavour to keep rates around this level.

A total of DM19bn will leave the market this week, as a securities repurchase agreement expires. The Bundesbank is expected to invite tenders for another pact, at a fixed 6.60 per cent. This is the rate the central bank has used for relatively short agreements since the rise in official interest rates on June 30. It would be taken as an indication that the authorities intend to keep call money slightly below the Lombard rate.

In Zurich the Swiss National Bank set its floating Lombard rate at an unchanged 8½ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.7) 3 months US dollars		6 months US Dollars	
bid 8½	offer 8⅝	bid 8½	offer 8⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	10½	One month	7.50	Three year	8.07
Broker loan rate	10	Two month	8.23	Four year	7.97
Fed.funds	8 13/16	Three month	8.16	Five year	7.99
Fed.funds at intervention	8 13/16	Six month	8.19	Seven year	7.99
		One year	8.17	10-year	8.04
		Two year	8.03	30-year	8.10

Aug.7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.85-6.95	6.80-6.95	6.80-6.95	6.80-6.95	6.80-6.95	7.00
Paris	9¼-9⅜	8 15/16-9⅛	8 13/16-9 1/16	8 15/16-9¼	8 13/16-8 15/16	8.75
Zurich	6⅛-6⅝	7¼-7⅜	-	6⅞-7¼	-	-
Amsterdam	7.25-7.37	7.20-7.30	-	7.17-7.27	-	-
Tokyo	5 3/16-5⅛	5⅜-5 11/16	-	5⅜-5 11/16	-	-
Milan	12¼-12½	12⅝-12⅞	-	12½-13	-	-
Brussels	7.50	8 11/16-8½	-	8¾-8½	-	-
Dublin	9¼-9⅝	9⅝-9⅞	9⅝-9⅞	9⅞-10⅛	10-10¼	-

LONDON MONEY RATES

Aug.7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14½	13⅞	13⅞	13 15/16	13 13/16	13⅝
Interbank Bid	12½	13 13/16	13 13/16	13 13/16	13 11/16	13½
Sterling CDs	-	-	13¾	13⅞	13 13/16	13¼
Local Authority Deps.	13¾	13¾	13¾	13¾	13 11/16	13¼
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	13⅞	13¾	13⅝	13½	-	-
Company Deposits	-	-	13 13/16	13⅞	13¾	13⅜
Finance House Deposits	-	-	13 15/16	13 15/16	13¾	13⅜
Treasury Bills (Buy)	-	-	13 13/16	13¾	-	-
Bank Bills (Buy)	-	-	13⅞	13 13/16	12 13/16	-
Fine Trade Bills (Buy)	-	-	14⅛	14⅛	13⅞	-
Dollar CDs	-	-	8.85	8.67	8.58	8.45
SDR Linked Dep Offer	-	-	8⅝	8⅝	8⅝	8¼
SDR Linked Dep Bid	-	-	8½	8⅛	8⅛	8
ECU Linked Dep Offer	-	-	9¼	9¼	9¼	9⅜
ECU Linked Dep Bid	-	-	9⅛	9⅛	9⅛	9¼

Treasury Bills (sell); one-month 13⅛ per cent; three months 13⅜ per cent; Bank Bills (sell): one-month 13 13/16 per cent; three months 13 11/16 per cent; Treasury Bills; Average tender rate of discount 13.3002 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1989. Agreed rates for period August 26, 1989 to September 25, 1989, Scheme I: 14.80 p.c., Schemes II & III: 15.23 p.c. Reference rate for period July 1 to July 31, 1989, Scheme IV&V: 13.984 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14½ from August 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1, 1988. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm.Bk.N.East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williamson Secs.	14
Bank Hapoalim	14	First National Bank Plc	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co.	14		
Brit. Bk of Mid East	14	Hongkong & Shangh	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
● Charterhouse Bank	14	McDonnell Douglas Bnk	14		
Citibank NA	14	Midland Bank	14		
City Merchants Bank	14	Mount Banking	14		
		Nat Bk. of Kuwait	14		

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CONTRACTS & TENDERS

Westminster City Council invites applications, from suitably qualified companies, to tender for :

1) The operation of a sundry debtor collection system. The system for a fixed term of either 2 or 4 years will cover a wide range of debts but will exclude debts in respect of housing rents, general rates and community charges. Any necessary legal action will be undertaken by the Council.

Invoices, currently totalling some £25 million per annum, will originate within the Council. The contract will include provision of bonus/penalty payments based on performance.

The contract commencement date is scheduled for 1 December 1989 and tender documents must be returned by 8th September.

2) A three year "fixed price" (with RPI adjustments) contract for the administration of its wages and salaries system. Effective date of the contract will be 1 April 1990 with parallel runs required from 1 January.

Currently the system covers more than 1500 weekly and 8000 monthly payments with a total annual budget in excess of £80 million.

Tenders may be on the basis of use of the existing in-house computer system or use of an external system.

The contractor will be required to correctly administer all aspects of the system, from receipt of initial records and amendments to authorisation of payments, within fixed timescales. Evidence of the ability to undertake both the nature and size of the work whilst maintaining confidentiality will be required.

Tender documents must be returned by 18 September 1989.

Tender documents are available from:

General Manager
Material Supply Division
Westminster City Council
18th Floor
City Hall
Victoria Street
London SW1E 6QP

A non-returnable charge of £50 will be made in respect of each set of documents and your cheque made payable to Westminster City Council should accompany the request for tender documents.

COMPANY NOTICES

O K BAZAARS (1929) LIMITED
(Incorporated in the Republic of South Africa)
NOTICE TO PREFERENCE SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the undermentioned half-yearly dividends have today been declared payable on 29 September 1989, in the currency of the Republic of South Africa, to all holders of the respective classes of shares registered in the books of the Company at the close of business on 1 September 1989.

6% First Cumulative Preference Shares - Dividend Number 110 - 3%
5% Third Cumulative Preference Shares - Dividend Number 92 - 2½%

The usual non-resident shareholders' tax of 15% will be deducted where applicable.

The Register of Members will be closed in Johannesburg and London from 2 September 1989 to 10 September 1989, both days inclusive, for the purposes of the payment of the above dividends.

BY ORDER OF THE BOARD
P.E. KRITZINGER
Secretary

Registered Office:-
OK Buildings
80 Eloff Street
Johannesburg 2001
SOUTH AFRICA

London Registrars:-
Barclays Registrars Limited
6 Greencoat Place
London SW1P 1PL

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN JAPAN ASSOCIATED FINANCE CO., LTD.

We are pleased to announce that copies of the Japan Associated Finance Co., Ltd., (JAFCO) Report 1989 for the six-month fiscal period ended 31st March 1989, are now available to EDR Holders from The Bank of Tokyo, Ltd., Northgate House, 20/24, Moorgate, London, EC2R 6DH and The Bank of Tokyo (Luxembourg) S.A., 1-3, Rue du St. Esprit, 1475, Luxembourg.

Bank of Tokyo International Limited
(Depositary)

8 August, 1989

LEGAL NOTICES

No. 002181 of 1989
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
Re: BEECHAM GROUP p.l.c.
- and -
Re: THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 24th July 1989 (inter alia) confirming the reduction of the capital of the above-named Company from £250,000,000 to £60,184,854 and the Minute approved by the Court showing with respect to the capital as altered the several Particulars required by the above-named Act were registered by the Registrar of Companies on the 28th July 1989.

DATED the 1st day of August 1989

LINKLATERS & PAINES
Solicitors to the Company.

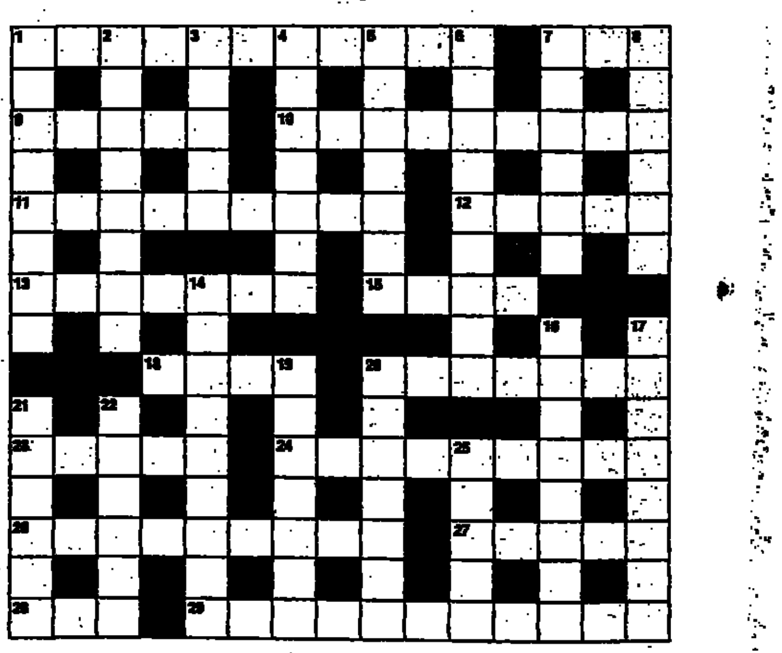
ART GALLERIES

CCA GALLERIES, 8, DOVER ST, LONDON W1 (01) 499 6701. Annual Catalogue, featuring many artists including Gorg, Procktor, Millington, Clarke, Barttlet. Also showing Erte. Gallery opening time: 9.30-5.30 Monday - Friday 10.00 - 4.00 Saturday.

JOTTER PAD

CROSSWORD

No.7,006 Set by FETTLER



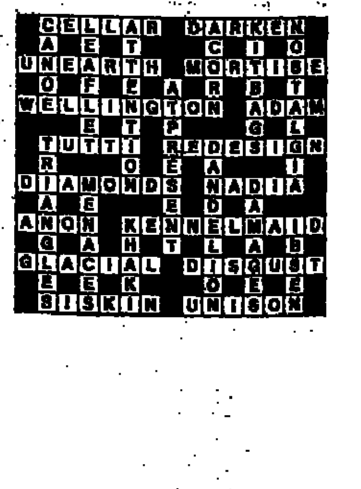
ACROSS

1 The record, right polished, is debunked (11)
7 Fish expert (3)
9 A poem that is in fairly rich vein (5)
10 Awfully sore, as VIP creates steam (9)
11 School closes: Sir is hardening (9)
12 What dough is and becomes (5)
13 As in the proverb, I'd offered too much (7)
15 Spawn a quarrel (4)
18 Quite right (4)
20 Take in a German sedative (7)
23 Charlotte's a little in the way (5)
24 Made of pure gray, right for Islamic worship (6-3)
26 Gypsy lass, awful flirt, takes one for a ride (9)
27 Little t-tickle (5)
28 Head teacher's association (3)
29 Doris asleep? Musing, no doubt (11)

DOWN

1 Imagining loud noise; nothing has gone wrong (8)
2 Rambler's way to wave (8)
3 See speedster – top star in super car (5)
4 Contrived to put power into action (7)
5 Pity; troubled commercial enterprises are losing able secretaries (7)
6 Here three in a bed's far from kinky (9)
7 Red one's now sadly rusted (6)
8 Doctor's manner – having lost his head by the way (6)
14 Blasted Yank's shine in bed (9)
16 Number nines are brought back in bitter bile (8)
17 Urchin's a prickly customer (8)
19 Fuddle, if in partly drunken state (7)
20 Make a noise about the one behind (7)
21 Wood's able to provide receptacle for rubbish (3-3)
22 Trudged up; that's the way to go (6)
25 Special edition can be run (5)

Solution to Puzzle No.7,005



WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY · GERMANY (continued) · ITALY · ITALY (continued) · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · SINGAPORE

[illegible]

CANADA

TORONTO

Closing prices August 4

[illegible]

MONTREAL

Closing prices August 4

[illegible]

Total Sales 8.356,147 shares.

INDICES

NEW YORK DOW JONES

	Aug 4	Aug 3	Aug 2	Aug 1	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2653.45	2661.61	2657.44	2641.12	2661.61 (3/8)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	93.83	94.13	94.15	93.91	94.15 (2/8)	87.35 (23/3)	–	–
Transport	1250.00	1266.89	1273.47	1278.98	1278.98 (1/8)	959.95 (3/1)	1278.98 (1/8/89)	12.32 (8/7/32)
Utilities	218.18	218.81	219.19	220.45	221.20 (31/7)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2679.44 (2676.97) Low 2629.17 (2640.74)

STANDARD AND POOR'S	Aug 4	Aug 3	Aug 2	Aug 1	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	343.92	344.74	344.34	343.75	346.08 (31/7)	275.31 (3/1)	346.08 (31/7/89)	4.40 (1/6/32)
Industrials	393.14	393.62	393.02	392.20	395.68 (31/7)	318.66 (3/1)	395.68 (31/7/89)	3.62 (21/6/32)
Financial	33.20	33.05	33.34	33.11	33.34 (2/8)	24.30 (3/1)	33.34 (2/8/89)	8.64 (1/10/74)
NYSE Composite	191.64	192.09	191.78	191.38	192.41 (31/7)	154.98 (3/1)	192.41 (31/7/89)	4.46 (25/4/42)
Amex Mkt. Value	376.10	376.82	375.48	375.81	376.82 (3/8)	305.24 (3/1)	376.82 (3/8/89)	29.31 (9/12/72)
NASDAQ Composite	457.42	456.93	454.08	453.29	457.42 (4/8)	378.56 (3/1)	457.42 (4/8/89)	54.87 (31/10/72)

	Aug 4	July 28	July 21	year ago (approx.)
Dow Industrial Div. Yield	3.41	3.44	3.47	3.53
	Aug 2	July 26	July 19	year ago (approx.)
S & P Industrial div. yield	3.28	2.90	2.92	3.12
S & P Indl. P/E ratio	14.43	14.22	14.10	14.10

TRADING ACTIVITY † Volume

Millions	Aug 4	Aug 3	Aug 2
New York	169.750	168.690	183.152
Amex	14.096	12.823	13.831
OTC	133.671	146.005	130.180

NEW YORK	Aug 4	Aug 3	Aug 2
Issues Traded	1,986	1,977	1,988
Rises	636	846	846
Falls	849	625	666
Unchanged	501	506	476
New Highs	146	193	165
New Lows	13	13	14

CANADA

TORONTO	Aug 4	Aug 3	Aug 2	Aug 1	1989 High	1989 Low
Metals & Minerals	3630.7	3654.5	3653.3	3485.4	3654.5 (3/8)	3207.5 (3/1)
Composite	3985.2	3981.0	3980.5	3963.8	3985.2 (4/8)	3350.5 (6/1)
MONTREAL Portfolio	2017.66	2018.67	2018.67	2020.70	2022.05 (31/7)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
IBM	2,406,400	115½	+ 1¾
Varity	2,261,300	2⅞	+ ⅛
Armco	2,093,100	12	+ ⅝
Prime Computer	1,940,700	17¼	+ 1⅛
Dow Chemical	1,806,700	93	+ 1¼
Reebok	1,765,000	14½	+ ⅜
Union Carbide	1,721,700	28⅞	+ ⅞
Marion Lab	1,717,000	36¼	+ ⅛
Placer Dom	1,572,200	16	.....
Salomon	1,415,000	26	– ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug. 7	Aug. 4	Aug. 3	Aug. 2	1989 High	1989 Low
AUSTRALIA All Ordinaries (1/1/80)	1680.0	1670.9	1664.6	1644.9	1680.0 (7/8)	1412.9 (7/4)
All Mining (1/1/80)	782.0	781.7	781.7	771.8	782.0 (7/8)	652.6 (7/4)
AUSTRIA Credit Aktien (30/12/84)	382.18	378.87	370.19	367.18	382.18 (7/8)	219.5 (2/1)
BELGIUM Brussels SE (1/1/80)	6287.64	6272.30	6245.02	6208.77	6287.64 (7/8)	5519.30 (4/1)
DENMARK Copenhagen SE (3/1/83)	349.43	351.29	352.20	353.64	356.65 (12/7)	275.49 (27/2)
FINLAND Unitas General (1975)	775.4	780.3	781.2	781.2	815.8 (18/4)	723.3 (4/1)
FRANCE CAC General (31/12/82)	502.6	504.7	506.8	505.9	506.8 (3/8)	417.9 (4/1)
Ind. Tendance (30/12/88)	120.1	120.9	120.8	120.8	122.4 (28/7)	97.5 (27/2)
GERMANY FAZ Aktien (31/12/58)	653.49	653.14	648.95	654.69	654.69 (2/8)	535.78 (27/2)
Commerzbank (1/12/53)	1956.4	1957.5	1944.6	1962.8	1962.8 (2/8)	1595.7 (27/2)
DAX (30/12/87)	1592.03	1590.30	1574.88	1587.35	1592.03 (7/8)	1271.70 (23/2)
HONG KONG Hang Seng Bank (31/7/64)	2563.77	2579.07	2634.58	2582.83	3309.64 (15/5)	2093.61 (5/6)
ITALY Banca Com. Ital. (1972)	701.37	697.05	689.45	685.31	701.37 (7/8)	577.49 (28/2)
JAPAN Nikkei (16/5/49)	34630.38	34741.99	34779.81	34899.3	34953.87 (31/7)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2615.48	2613.27	2616.69	2633.24	2633.24 (2/8)	2366.91 (6/1)
NETHERLANDS CBS Tu.Rtn.Gen. (End 1983)	262.8	261.7	258.8	259.0	262.8 (7/8)	208.3 (3/1)
CBS All Shr (End 1983)	204.5	203.7	201.4	201.6	204.5 (7/8)	166.7 (1/3)
NORWAY Oslo SE (2/1/83)	629.00	627.52	637.68	648.28	668.90 (14/7)	467.17 (2/1)
SINGAPORE Straits Times Ind. (30/12/66)	1351.74	1349.18	1359.71	1362.27	1372.29 (25/7)	1030.69 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1655.0	1678.0	1685.0	1657.0	1685.0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2744.0	2748.0	2738.0	2729.0	2748.0 (4/8)	1961.0 (3/1)
SPAIN Madrid SE (30/12/85)	309.78	308.76	307.77	306.87	315.90 (13/6)	268.61 (1/3)
SWEDEN Jacobson & P. (31/12/56)	4483.6	4489.9	4490.6	4491.1	4491.1 (2/8)	3333.9 (3/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	♦801.2	792.5	792.6	784.1	♦801.2 (7/8)	613.1 (3/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	542.0	545.4	551.2	551.2 (3/8)	487.6 (13/6)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday August 7 1989

	Stocks Traded	Closing Prices	Change on day
Sanyo Chmcl	6.58m	1,610	+160
Kawasaki Steel	6.26m	937	+4
Nippon Steel	5.93m	883	+4
MHI	5.61m	1,230	0
Daiwa House	4.71m	2,840	+60
Toyo Radiator	4.68m	1,220	+60
Nippon F&M	4.49m	1,440	+40
Kao	4.35m	1,850	+40
Kobe Steel	3.80m	806	-9
Kyokuyo	3.73m	992	+12

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FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

3pm prices August 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
33⅞	21¾	AAR	.44	1.3	21	226	32⅝	32¼	32⅝	+ ⅛
10⅞	8⅝	ACM n	1.01	11.		109	9⅝	9½	9½	+ ⅛
11⅝	10¼	ACMIn	1.28e	11.		x527	11⅝	11⅜	11½	
10⅞	8½	ACM M	n1.01	11.		164	9⅜	9¼	9¼	
11½	10	ACM Sc	1.26	11.		638	11⅜	11¼	11¼	
9⅞	8⅞	ACMSp	1.01	11.		677	9¼	9⅛	9¼	
18	10⅞	AL Lab	.12	.7	19	696	17⅜	15¾	17⅛	− ⅜
6⅛	4½	AM Intl				145	5¾	5⅝	5⅝	
23½	20⅝	AM In pf	2	9.1		71	22	21¾	21⅞	+ ⅛
69½	40⅞	AMR			8	12872	u70⅞	69½	70¾	+2¾
27	25	ANR pf	2.67	10.		2	26⅜	26⅜	26⅜	
44⅛	35¼	ASA	3a	7.0		405	u43⅜	43⅛	43⅛	− ⅜
22⅛	15¼	AVX	.24	1.3	9	191	18⅞	18⅝	18⅞	+ ⅛
66	43¼	AbtLab	1.40	2.2	18	2582	63½	63	63⅛	− ¼
18⅛	13⅜	Abitibi g	1			233	14½	14¼	14⅜	− ¼
13	7½	AcmeC	.40	3.5		42	11½	11⅜	11½	+ ⅛
8⅝	5⅞	AcmeE	.32	3.9	19	11	8¼	8¼	8¼	− ⅛
34⅞	20¼	Acuson			33	463	33¼	32½	32½	− ⅝
16⅞	14¼	AdaEx	1.82e	11.		110	16½	16⅜	16½	+ ⅛
13⅛	7⅛	AMD				1408	9	8⅝	9	+ ⅛
38¼	28¾	AMD pf	3	9.7		46	31	30⅝	30⅞	− ⅛
11⅞	6½	Adobe				80	10⅛	10⅜	10½	
19⅜	18½	Adob pf	1.84	9.9		3	18⅝	18½	18½	− ¼
9½	6⅜	Advest	.12	1.4	15	546	8⅞	8⅝	8⅞	+ ⅛
59¾	46	AetnLf	2.76	4.6	9	2630	u59⅞	59⅛	59⅝	− ⅛
14	12⅞	AllPb				1781	13⅞	13	13⅛	+ ¼
[illegible]										

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28	19⅞	Wynns	.60	2.2	12	207	27	26¾	26¾	
17⅞	4½	Wyse				5533	6⅞	5⅝	6¼	+ ⅞
		– X–Y–Z –								
69	51¼	Xerox	3	4.4	18	13469	67⅜	67¼	67⅜	+ ½
49¼	43⅝	Xerox pf				4	45½	45½	45½	– ¼
48⅞	44½	Xerox pf4.13		8.7		4	47⅛	47⅛	47⅛	+ ½
44¼	29⅜	XTRA	.72	2.4	9	89	30⅜	30⅛	30⅛	+ ⅛
4¼	2	Zapata				275	3½	3⅜	3½	+ ⅛
22⅝	16¼	ZenithE				728	17	16¾	17	+ ⅛
10⅞	8⅞	Zenlnc	1.29	13.		75	9½	9⅞	9⅞	
2¾	1⅛	vjZenLb				98	1⅛	1⅛	1¼	
20⅛	15	ZeeNR	.84	4.3	9	207	19⅞	19½	19½	– ¼
22⅝	14⅞	Zero	.50	2.3	16	x159	22⅛	21½	21⅞	+ ⅜
44⅞	21	Zurnin	.68	1.6	21	195	43½	42¾	43	– ⅜
12	10	Zweig	1.08e	9.2		498	11⅞	11¾	11⅞	
10⅛	8¾	Zweig n	.96	10.		x1501	9¾	9½	9½	– ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices August 7

Stock	Div.	E	P/ Sls 100s	High	Low	Close	Chng
PrcCm s			34	6¾	6½	6¾	+ ⅛
ProfCre		14	48	6⅝	6½	6½	+ ⅛
			– R–R –				
RBW		14	2	7⅝	7⅝	7⅝	

OVER-THE-COUNTER

Nasdaq national market, 3pm prices August 7

Stock	Div.	Sales 100s		High	Low	Last	Chng
WilmTr	1.24	14	336	46	45	45⅝	– [illegible]
WiserO	.40	53	29	16⅞	16⅝	16⅞	
Wolohn	.28	9	22	17¼	17¼	17¼	– ½
WlvEx h			720	8⅛	7⅞	7⅞	
Worthg	.48	15	307	24⅝	24⅛	24⅜	+ ¼
Wyman	.80	160	110	18	17¾	18	+ ¼
			– X–Y–Z –				
XL Dta s		16	515	23¾	23¼	23½	
XOMA			873	18¾	18¼	18¾	+ ½
Xicor		10	1055	6⅞	6⅛	6½	+ ½
YelowF	.76	10	1006	28¼	27⅞	28⅛	+ ⅛
ZionUt	1.44		5	27	27	27	– ¼
Zycad			15	2⅞	2⅝	2⅞	

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AMERICA

Airline stocks take off in the wake of bid for UAL

Wall Street

MORE TAKEOVER speculation and a strong performance by cyclical stocks pushed the equity market to modest gains at midsession yesterday, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was quoted 26.37 points higher at 2,679.82 on moderate volume of 95m shares by midsession. Indices of secondary stocks were also higher.

Meanwhile, the Dow Jones Transportation Average rallied explosively on reports that Mr Martin Davis, the investor, had put $200 a share on the table to buy UAL, the holding company for United Airlines.

The Transportation index was quoted 63.65 points higher at midsession at 1,313.65 and seemed to be headed for its largest one-day gain on record. The previous largest session gain was 46.76 points on October 21, 1987.

Apart from the reported bid for UAL, there was talk that Mr Carl Icahn, chairman of Trans World Airlines, may be contemplating a merger with another airline. This also helped produce substantial price gains in the airline sector.

UAL itself soared $34¾ to $199¼. Among other airline stocks, AMR, the holding company for American Airlines, added $2¼ to $70¼, Delta gained $1¾ to $73¾ and USAir Group added $⅝ to $52⅝.

Cyclical stocks such as technology, paper, chemical and metals issues, performed well while consumer stocks underperformed as the stock market continued to react to last Friday's strong employment report which underscored evidence that, while the economy is slowing, it does not appear to be dropping into recession.

Consumer issues normally withstand recessions well while cyclical issues are so called because they tend to track the performance of the economy closely.

The stronger than expected rise in the non-farm payroll in July and the upward revision of June's payroll gain hit bonds badly as it appeared to preclude any more easing by the US Federal Reserve. In the stock market, it has helped trigger a shift from consumer stocks to cyclicals.

Several leading Wall Street brokerages have started advising their customers to execute this switch. The buzzword for this week is "rotation".

The mood in the equity market remains constructive and many market commentators are confident that the Dow Jones can move nearer to its all-time high of 2,722.42 set on August 25, 1987.

Stock analysts point to the market's resilience in the wake of Friday's employment report which sent Treasury bond prices down by around two full points. They note that, while prospects for further declines in interest rates have dimmed, there is increasing confidence that the US can avoid a recession and achieve the soft landing that everyone has been hoping for.

In the technology sector, IBM added $⅝ to $116¼, Digital Equipment $1¼ to $96⅝ and Hewlett-Packard $2½ to $56⅞.

Another sector in the limelight was the thrift industry following the weekend passage of a savings and loan rescue package through Congress which includes a provision allowing commercial banks to acquire healthy thrifts immediately. Among these, Glenfed added $1¼ to $22 and Coast Savings Financial $1⅛ to $18⅜.

President George Bush was expected to sign the thrift rescue bill this week.

Among featured issues was Harcourt Brace Jovanovitch, the publisher, which rose $⅝ to $15¾ on a Financial Times report that Mr Robert Maxwell may again be interested in launching a bid for the company he failed to acquire two years ago or some of its operations.

● Canadian markets were closed for a holiday.

EUROPE

Milan index breaches 700 as bourses hold top notes

THE STRONG tone of last week persisted in much of Europe yesterday, with Milan, Amsterdam, Frankfurt and Vienna chalking up new highs. Paris edged lower against the trend, *writes Our Markets Staff.*

MILAN extended its run of rises to eight sessions, although the leading sector, the banks, weakened.

The Comit index gained 4.32 to another post-crash high of 701.37 in active turnover of more than L300bn.

An analyst said that the banking issues needed a bit of consolidation after their recent rally, although a few continued to perform well yesterday.

Fiat and Generali again powered ahead, with the car maker up L146 at L11,578 and the insurer L370 higher at L45,750.

Montedison, the chemicals group, recovered L23 to L2,445 after profit-taking last week which followed the European Commission ruling that the Italian Government must not grant the company tax concessions. Montedison denied a newspaper report that it was planning to raise its offers for the minority stakes it does not own in Himont and Erbamont, both listed in the US.

AMSTERDAM reached another record high, with turnover worth Fl 690m proving bigger than average for the holiday period. Nevertheless, analysts said many investors were sitting on their hands before results this week from Amro bank and the big internationals.

The CBS all-share index rose 0.8 to 204.5, an all-time high, while the tendency index added 0.8 to 195.5.

Nedlloyd, the shipping and transport group, showed one of the biggest gains of Fl 3.10 to Fl 93.10. It was also the fifth most actively traded stock. There was no obvious reason, although there appeared to be broad interest in the sector, and the dollar's firmer tone could have helped in terms of the outlook for Nedlloyd's international operations.

Trading group Borsumij rose Fl 3 to Fl 131.50, being a recent underperformer and thus one of the cheaper ways into the market, an analyst said.

FRANKFURT ended little altered after a weak opening. The main influence was the stronger dollar, which was of benefit to export stocks such as car makers.

The DAX index edged to another year's high of 1,592.03, up 1.73, and the FAZ index added 0.35 to 653.49. Turnover was less heavy than of late at DM4.5bn.

Demand for VW, which was the most active issue and gained DM10.40 to DM456, helped the market recover from early lows. The car group said it had added more equipment to its European models while holding prices steady, in response to criticism about its pricing policy and in anticipation of a possible slowdown in the car market. The group had already announced a 30 per cent rise in group net profits in the first half. Elsewhere in the sector, Daimler gained DM11 to DM811.

A detailed breakdown of June incoming orders, which revealed good rises in demand for tubes and general steels, boosted related issues.

Banks declined after their recent good showing, with Deutsche Bank off DM3.50 at DM674 and Commerzbank down DM2.30 at DM259.70.

PARIS was subdued, ending slightly lower in very thin trading. "We have seen a few blocks around, but otherwise it was totally dead – the lowest volume that we've seen in quite some time," said one analyst, estimating total turnover at FFr1.5bn. Holidays in France next Monday and Tuesday could keep the market quiet, he added.

Chargeurs, the transport group, rose FFr30 to FFr1,185 amid renewed speculation about stake-building by Club Med. About 10 per cent of Chargeurs' capital is reported to have changed hands over the past 10 days, with Club Med said to be the likely buyer and Gaz et Eaux, which holds 9.9 per cent, a possible seller.

Auxiliaire d'Entreprise, the construction company, was buoyed by FFr49 to FFr1,044 after a bullish article about its earnings in a French financial weekly.

Paribas remained actively traded, rising FFr3 to FFr507 following the expiry of its warrants at the start of last week.

The OMF 50 index lost 1.67 to 508.42.

ZURICH was pulled higher by the rising US currency, which boosted industrial companies with strong dollar earnings. The Crédit Suisse index picked up 4.3 to 651.6 in fairly thin volume.

Banking issues, which had been surging ahead recently, were little changed.

MADRID edged up for the sixth day running, but in continued low volume, with the general index adding 1.02 to 309.78.

Construction stocks performed well, notably Dragados, which gained 16.5 percentage points to a year's high of 656 per cent of par. Pascual Hermanos, the food company, fell 5 to a year's low of 445; Cofir, the Spanish holding company of Mr Carlo De Benedetti, the Italian businessmen, said it was selling its 13.5 per cent stake.

BRUSSELS were little changed, but Raffinerie Tirlemontoise, the sugar refiner, was again the feature, rising BFr65 to BFr2,860.

New Zealand leads bullish start to August

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1989	% change in sterling † Start of 1989
Austria	+7.08	+8.25	+59.30	+50.73	+58.18
Belgium	+2.73	+3.17	+19.30	+7.35	+12.85
Denmark	−0.04	+0.17	+73.28	+33.95	+39.57
Finland	+0.21	−1.31	+5.90	+10.98	+21.15
France	−0.28	+5.14	+41.60	+19.27	+25.95
West Germany	+2.30	+4.90	+30.96	+17.80	+24.69
Ireland	+0.64	+12.75	+19.89	+26.87	+32.91
Italy	+2.48	+4.90	+27.66	+15.37	+23.56
Netherlands	+2.02	+6.13	+21.26	+22.51	+28.42
Norway	−4.18	−6.63	+48.44	+33.26	+41.06
Spain	+2.43	+2.86	+0.65	+10.11	+17.29
Sweden	+1.80	+6.54	+55.43	+34.47	+42.65
Switzerland	+2.03	+8.94	+19.69	+27.13	+30.83
UK	+0.70	+5.61	+22.23	+28.22	+28.22
EUROPE	+1.24	+5.32	+25.56	+23.23	+26.72
Australia	+2.53	+9.41	+3.05	+13.51	+13.57
Hong Kong	+1.88	+7.53	−0.64	−3.50	+8.12
Japan	+0.14	+4.34	+18.24	+9.83	+10.32
Malaysia	−0.80	−1.36	+23.48	+28.89	+46.69
New Zealand	+10.15	+11.94	+5.81	+20.59	+27.78
Singapore	−2.12	+0.65	+17.11	+32.65	+47.90
Canada	+0.69	+4.88	+19.70	+18.82	+34.91
USA	+0.55	+5.08	+26.72	+23.71	+38.57
Mexico	−1.09	−0.39	+88.85	+82.83	+84.81
South Africa	+4.01	+4.38	+55.14	+41.78	+46.76
WORLD INDEX	+0.59	+4.87	+22.31	+17.06	+22.76

† Based on Friday August 4th, 1989

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By Jacqueline Moore

AUGUST began in optimistic fashion last week, with most of the world's stock markets advancing – and with New Zealand, the week's top performer, leaping by more than 10 per cent.

Only six countries made a loss, and they were mostly markets that succumbed to profit-taking and consolidation after recent rallies. However, gains by the heavyweight markets, the US and Japan, were relatively small, which restricted the overall increase in the FT-Actuaries World Index to 0.6 per cent in local currency terms.

The best rise by far was in New Zealand, which shot up in response to cuts in interest rates and to gains in Australia, itself up 2.5 per cent. One observer explained that both Antipodean markets still looked cheap on an international basis.

He added that a feeling that the political pot was coming to the boil had also driven the New Zealand market higher. The resignation of Prime Minister David Lange yesterday did not come as a surprise, he said, and investors were hoping that a more free market-oriented government would emerge.

Austria, the second best performer this year, was also the number two market last week, jumping by more than 7 per cent. The bourse had entered a slack period since reaching an all-time high on the Credit Aktien index in June, but last Tuesday it reached another record high, which was taken as a buy-signal by the market. Volume swelled to Sch362m ($27m) on Thursday – twice the level of a couple of weeks ago.

Financial and building issues led Austria higher, with banking stock Creditanstalt passing the Sch3,000 resistance level and hitting an all-time high of Sch3,190. An analyst said that demand for equity had also been boosted by the prospect of the launch of Austrian-related funds in the autumn.

South Africa also rose strongly, adding 4 per cent on the back of domestic and foreign demand. International investors snapped up gold and platinum issues in particular.

The week's steepest fall was in Norway, which dropped 4.2 per cent – its third week of declines. Nevertheless, it remains the world's fifth best performer this year, with a rise of more than 33 per cent. "The market is a little bearish, with some profit-taking after its fantastic gains this year," an analyst explained.

Norwegian investors were wary about corporate prospects. Last week's interim results from Elkem, the supplier of ferroalloys and silicon metal, and Dyno Industrier, the *diversified chemicals* group, had looked good at first sight, the analyst said, but they had contained large capital gains. When these were stripped out, the results had proved rather disappointing. Those results followed poor figures from Norsk Hydro the previous week.

Singapore also succumbed to profit-taking, making it the second worst performer. Rumours on Friday that Deng Xiaoping, the Chinese leader, had died gave share prices an extra knock.

ASIA PACIFIC

Volume slumps as investors await direction

Tokyo

DISHEARTENED by a weaker yen, investors moved to the sidelines, leaving the market little choice but to close lower in very thin trading, *writes Yuriko Mita in Tokyo.*

With the approaching summer holidays, and caution brought about by the lower yen, share prices opened easier. The downtrend accelerated during the day on small-lot selling, weak bond prices, and higher interest rates at home and abroad.

The Nikkei average closed 111.61 lower at 34,630.38. The high was 34,758.70 and the low was 34,556.00.

Falls outnumbered rises by 402 to 460 while 223 issues remained unchanged. The Topix index of all listed shares rose 2.21 to 2,615.48, while in London the ISE/Nikkei 50 fell 2.08 to 2,057.74. Volume in Tokyo was a paltry 306m shares against Friday's 385m.

There were many factors that helped to shape the course of yesterday's market. Following better-than-expected US unemployment figures last Friday, investors moved to the sidelines to watch whether the trends for a strong yen and lower interest rates had changed. The yen's weak performance resulting from this uncertainty kept investors additionally inactive.

One analyst explained that prices were weak because of the lack of participants, the most conspicuous absence being that of institutional investors. They chose to wait and see what direction US interest rates would take after a series of US Treasury refunding programmes this week.

Institutional investors are, however, likely to remain alert for any buying opportunities as they expect an upswing in prices due to the steadier yen-dollar exchange rate and the fact that the market has discounted the Upper House election results.

Once the Liberal Democratic Pary appoints a new president, who will become Japan's Prime Minister, the market may pick up some new themes. One analyst said investors expect policies under the new government to focus on welfare, which will attract attention to housing-related issues and food stocks.

Fishery companies, such as Kyokuyo, were the only sector to advance across the board, after a US magazine reported that Mr Mikhail Gorbachev, the Soviet leader, had offered to return to Japan the disputed islands known as the Northern territories if Tokyo agreed to make investments in the Soviet Union. Kyokuyo closed up Y12 at Y992.

With a lack of fresh incentives, investors went bargain-hunting in the pharmaceutical and rubber-producing sectors. Sanyo Chemical was the most active issue, with a turnover of 6.58m shares, closing up Y150 at Y1,610.

In an attempt to bolster the market, some brokers traded steel issues, pushing Kawasaki Steel and Nippon Steel into the second and third most active spots. Kawasaki Steel closed up Y4 at Y937 with 6.25m shares traded. hands. Nippon Steel, which recently reported that it will boost steel production to meet domestic demand while continuing to restructure its operations, rose Y4 to Y863 on 5.93m shares traded.

In Osaka, the OSE average closed up 96.32 at 34,231.10 in turnover 42.7m shares, lower than Friday's 45.5m.

Roundup

THERE appeared to be little to worry Asia Pacific markets yesterday, as Wellington shrugged off political developments and Taipei surged towards a key barrier. Only Hong Kong was in the doldrums.

NEW ZEALAND shares were undented by the resignation of Mr David Lange, the Prime Minister. The Barclays Index continued to move higher, gaining 16.71 to 2,184.29 in very active trading of 25.6m shares worth NZ$56.8m.

This was the market's fifth advance in a row; it jumped by 9.5 per cent last week. There was a feeling yesterday that a change of prime minister would not alter economic policy radically.

TAIWAN approached the 10,000 level in active trading, with the weighted index climbing 219.99 to 9,968.06. It was expected to push through 10,000 during the week, barring an unexpected setback. Turnover reached 961m shares worth T$120bn.

SINGAPORE picked up from its recent losses on strong company results and news that the economy will grow more vigorously than expected this year, at between 7.4 per cent and 8.8 per cent.

Persistent profit-taking kept gains to a minimum, however, and the Straits Times industrial index rose just 2.56 to 1,351.74 in active volume of 83m shares, though down from Friday's 116m.

UOB bank gained 25 cents to S$5.90 and its "foreign" share rose 15 cents to S$6.25 on better six-month profits than expected.

AUSTRALIA enjoyed its sixth consecutive gain but volume was low because of a bank holiday in Sydney. Industrials led the upward move. The All Ordinaries index added 9.0 to a post-crash high of 1,680.0, after its 3.7 per cent gain last week.

Coles Myer, the leading retailer, put on 6 cents to A$8.76; it announced that its sales for the year to July would exceed A$14bn.

Adsteam rose 30 cents to A$7.50 after the sale of its 13 per cent stake in Commercial Union of the UK to Sun Alliance. Sarich Technologies was ahead by 50 cents at A$2.90, gaining support from its plan to start a production plant in the US.

HONG KONG remained under the shadow of concern over the health of Deng Xiaoping, the Chinese leader, even though rumours that he was seriously ill were denied by Peking on Friday. The Hang Seng index dropped 15.30 to 2,563.77 and turnover fell back to HK$1.2bn from Friday's HK$1.8bn.

SOUTH AFRICA

THE MOOD was quieter in Johannesburg after last week's bull-run, partly due to a shortage of scrip. The industrial index hit a preliminary 2,744, down 4 from Friday's record.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY AUGUST 4 1989 — US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	THURSDAY AUGUST 3 1989 — US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX — 1989 High	1989 Low	Year ago (approx)
Australia (85)	146.50	−0.4	134.49	127.79	+0.4	4.66	147.10	132.74	127.34	157.12	128.28	149.87
Austria (19)	135.49	+0.9	124.38	133.59	+2.6	1.82	134.30	121.19	130.18	135.49	92.84	85.37
Belgium (63)	136.11	−1.3	124.95	133.59	+0.3	4.09	137.93	124.46	133.17	137.97	125.58	113.38
Canada (124)	151.21	−0.5	138.81	128.92	+0.0	3.10	151.96	137.12	128.90	151.95	124.67	123.33
Denmark (36)	212.30	−1.6	194.89	212.95	+0.1	1.47	215.79	194.72	212.78	219.89	165.35	123.68
Finland (26)	141.56	−1.3	129.95	126.88	+0.4	2.15	143.41	129.41	126.41	159.16	125.81	128.26
France (127)	129.35	−2.3	118.75	130.37	−0.7	2.91	132.38	119.45	131.29	133.44	112.57	91.96
West Germany (100)	97.90	−0.9	89.88	96.56	+0.7	2.11	98.84	89.19	95.89	100.53	79.56	74.92
Hong Kong (49)	107.91	−2.6	99.07	108.15	−2.6	4.99	110.76	99.95	111.01	140.33	86.41	108.60
Ireland (17)	156.35	−1.1	143.54	156.58	+0.5	2.68	158.05	142.62	155.84	159.12	125.00	131.94
Italy (97)	93.91	−0.4	86.21	95.79	+1.2	2.34	94.25	85.05	94.62	94.79	74.97	71.95
Japan (455)	188.60	−2.0	173.14	166.19	−0.2	0.48	192.38	173.60	166.48	200.11	164.22	186.36
Malaysia (36)	187.93	−1.2	172.52	192.96	−1.1	2.49	190.19	171.62	195.07	190.58	143.35	153.69
Mexico (13)	267.00	+0.7	245.11	740.02	+0.5	0.68	265.22	239.33	736.55	277.40	153.32	156.65
Netherland (43)	128.86	−0.4	118.30	125.87	+1.2	4.11	129.41	116.78	124.33	130.67	110.63	106.39
New Zealand (21)	77.11	+3.0	70.79	68.71	+3.6	5.42	74.88	67.56	66.32	77.11	62.64	81.19
Norway (24)	174.95	−3.5	160.61	164.98	−2.1	1.57	181.21	163.52	168.49	198.39	139.92	119.67
Singapore (26)	165.18	−1.5	151.64	148.66	−1.1	1.91	167.65	151.28	150.35	169.43	124.57	134.57
South Africa (60)	153.09	+0.0	140.54	139.28	+0.1	3.87	153.16	138.21	139.21	153.27	115.35	115.00
Spain (43)	155.37	−1.4	142.64	140.25	+0.3	3.69	157.57	142.18	139.78	158.02	143.14	147.97
Sweden (35)	184.16	−1.3	169.06	176.32	+0.0	1.95	186.63	168.41	176.41	187.77	138.45	118.43
Switzerland (64)	91.19	−1.8	83.72	92.46	+0.0	2.04	92.84	83.78	92.47	92.84	67.81	78.86
United Kingdom (311)	154.90	−0.9	142.20	142.20	+0.8	4.09	156.33	141.07	141.07	158.41	133.28	132.85
USA (552)	140.02	−0.3	128.54	140.02	−0.3	3.25	140.38	126.67	140.38	140.75	112.13	110.50
Europe (1005)	129.76	−1.1	119.12	123.88	+0.6	3.31	131.21	118.40	123.19	132.62	112.63	105.54
Nordic (121)	173.29	−1.6	159.08	162.00	−0.2	1.75	176.17	158.96	162.27	178.38	137.95	112.81
Pacific Basin (672)	183.96	−1.9	168.87	162.50	−0.2	0.70	187.54	169.23	162.81	194.72	160.44	163.44
Euro – Pacific (1677)	162.38	−1.7	149.07	146.98	+0.1	1.55	165.10	148.98	146.91	166.98	141.56	140.29
North America (676)	140.59	−0.3	129.07	139.34	−0.2	3.24	140.97	127.20	139.67	141.19	112.79	111.18
Europe Ex. UK (694)	113.82	−1.3	104.49	112.57	+0.4	2.72	115.27	104.01	112.15	116.28	96.30	88.60
Pacific Ex. Japan (217)	128.32	−0.9	117.80	116.45	−0.5	4.51	129.53	116.88	116.98	137.65	111.83	128.27
World Ex. US (1874)	161.96	−1.6	148.68	146.52	+0.1	1.62	164.59	148.52	146.45	166.35	141.49	139.46
World Ex. UK (2115)	152.88	−1.2	140.35	144.49	−0.1	1.95	154.72	139.62	144.68	155.66	136.98	127.80
World Ex. So. Af. (2366)	153.05	−1.2	140.50	144.30	+0.0	2.14	154.86	139.74	144.36	155.92	136.67	128.31
World Ex. Japan (1971)	136.28	−0.6	125.11	133.17	+0.0	3.32	137.10	123.71	133.11	137.40	114.51	109.95
The World Index (2426)	153.05	−1.2	140.50	144.26	+0.0	2.15	154.85	139.73	144.32	155.89	136.68	128.23

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Latest prices were unavailable for this edition.

Constituent changes 7/8/89:Insertion: Ercros (Spain).Deletion: Union Explosivos Rio Tinto (Spain).

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July, 1989